



Ministry of Mines & Energy
"promoting Kenya's mineral, geological and energy resources"

Budget Speech 2019/2020

Hon. Kornelia Shilunga,

Deputy Minister of Mines and Energy

Vote: 15

April 29, 2019

National Assembly



Honourable Chairperson of the Whole House Committee

Honourable Members of the National Assembly

- 1.** It is my honour to present to this August House the budget allocation for vote 15, the Ministry of Mines and Energy, for the 2019/2020 Financial Year.

- 2.** I would like to thank Ministers of Finance and Economic Planning and Director General of the National Planning Commission and their respective teams for a diligent and job well done in the preparation of the national budget, particularly during these challenging economic times.

- 3.** The Ministry of Mines and Energy's mandate is to ensure safe, responsible and sustainable exploitation of the Geological, Mineral and Energy resources, for the socio-economic benefit of all the Namibian citizens.

- 4.** The prime responsibility of the Ministry is to attract investors in mineral and energy resources of Namibia and to regulate the extractive and energy industries in the country. The Ministry also is tasked with the collection of royalties and ensuring that safety; health and environmental standards are consistent with the relevant national policies, legislations, regulations and international best practices.

5. Even with the financial distress experienced during 2018/2019 Financial Year, the Ministry of Mines and Energy has managed to meet most of its obligations with limited resources, by embarking upon activities that are key in boosting the economic growth and contributing to the national development.

**Honourable Chairperson of the Whole House Committee,
Honourable Members**

Allow me to highlight some of the Ministry's major achievements during the 2018/19 Financial Year.

6. **Revenue generation**

Mining contribute significantly to state revenue fund and development of the this country. A total of about N\$20 million was collected from petroleum exploration & production rental fees. Additionally, N\$3.3 million was collected from mineral rights fees while royalties added another N\$1.4 billion to the State Revenue Fund. **The total amount collected by the Ministry is amounting to 1.423 billion for 2018/2019 Financial year.**

7. Energy Generation

The Ministry of Mines and Energy strives to ensure energy security of supply, through effective and economic use of locally available energy resources while also leveraging regional opportunities.

In 2018, Namibia imported 73% of its annual electricity requirements. This is literally the highest import figures recorded since independence. Between 1990 – 2009 average annual imports were at 48% and between 2010 and 2017 was 38%. This means we are more and more depending on the availability and reliability of foreign generators, including those in neighbouring countries.

In response to the over dependence on imports the Ministry of Mines and Energy developed the National Integrated Resource Plan (NIRP). This is a 20 year developmental plan for Namibia's Electricity Supply Industry spanning the period 2016 to 2035. It provides projections of the future electricity demand and identifies an economical feasible electricity generation option to meet the country's electricity needs in a reliable and efficient manner.

The recently approved Modified Single Buyer Model (MSB) and the Independent Power Producer (IPP) policy, will increase our domestic supply and thus reduce our import dependency.

The Independent Power Producer (IPP) policy approved in November 2018, the review of the Electricity Act and the proposed Energy Regulator Authority Bill will among others encourage IPPs to invest in commercial power generation projects.

Furthermore, the Ministry of Mines and Energy is working to liberalize the supply of electricity in Namibia through the introduction of the recently approved Modified Single Buyer (MSB) Market Model. The MSB market model will allow eligible IPPs to generate and sell electricity output directly to contestable customers such as Regional Electricity Distributors (REDs), large industrial and mining companies, municipalities and local authorities, replacing the current single buyer model where electricity suppliers can only sell to NamPower. The Market Model is expected to give the customers a choice, and to foster competition in the ever growing and changing electricity market.

With the introduction of the MSB it is expected that there will be more private sector investment, competition in the industry thereby lowering electricity tariffs, lowering the funding burden on Government, and reducing reliance on imports. It is projected that import dependence can reduce to 20% by 2025 as a result of projects under the MSB implementation.

The Renewable Energy Feed-in Tariff (REFIT) interim programme has added a total 10 MW solar PV (one 5 MW at Outapi and one 5 MW at Trekkopje) to the national grid during the 2018/2019 Financial Year, bringing it to a total of 55 MW out of 70 MW. The commissioning of a 37 MW Solar PV plant near Mariental, and 10 MW Solar PV near Mariental, and 10 MW Solar PV near Keetmanshoop were completed. In total, 67 MW was added to the national electricity grid. The total has thus contributed towards achieving the goal of energy sufficiency.

Construction of remaining 3 solar PV power plants of 5 MW each under the REFIT programme is in final stages of completion.

The Namibia-Angola Permanent Joint Technical Commission on the Cunene River Basin (PJTC) is currently busy with the updating and finalisation of the Technical and Environmental Studies of the 600MW Baynes Hydro Power Project.

An amount of N\$21,450,000.00 was spent during 2018/2019 financial year and these two assignments are expected to be finalised by September 2019.

8. Security of Energy Supply

During the 2018/2019 Financial Year, the government has created an enabling environment to ensure development of infrastructures. In terms of investment factors and Government's role in creating the enabling environment for economic growth, the National Oil Storage Facility is 97% complete. Once completed, the Facility will yield the following benefits:

- a) Increase security of supply of petroleum products from 7-10 days, to 30-45 days;
- b) The Project, with its new site and location, provides the oil industry with flexibility and a greater potential for future growth.

In terms of the Rural Electrification Programme, an amount of **N\$49,552,100.98** has been spent during the 2018/19 financial year whereby **35 public institutions and localities** have been electrified.

9. Value Addition & Resources Development

Significant improvement has been observed on rough diamonds that were converted into polished locally due to improved monitoring, reporting and stakeholder engagement towards driving the right behaviour of manufacturers on meeting the beneficiation criteria. As a result, more than 60% of rough diamonds were converted into polished diamonds and a significant number of Namibians imparted with relevant skills.

The promotion and encouragement of local value addition to minerals in order to create and sustain employment as well as generate foreign earnings remains a priority area. In this regard, the development of the Mineral Beneficiation Strategy which will serve as a roadmap for mineral beneficiation in Namibia commenced during the 2018/19 Financial Year and the final strategy document delivered during the second quarter of 2019/2020.

10. Local Economic Empowerment in the Mineral Sector

In an effort to empower the citizens who are interested in participating in the minerals sector, more than 60% of the Exclusive Prospecting Licenses have been issued to Namibians during the 2018/19 Financial Year.

11. Data Management & Integration

In addressing transparency and ensuring a harmonised licensing and permitting application processes and data management systems, the Ministry has constituted the Diamond Licensing and Security Evaluation Committee with its main function to make recommendations to the Minister on Diamond Act license applications. In addition, an online based license and permit system, was officially launched in December 2018 and under implementation. The system will enable migration of all license applications from manual to electronic processing systems, thus enhancing efficiency in data management, reporting, storage and retrieval amongst other benefits.

**Honourable Chairperson of the Whole House Committee,
Honourable Members,**

Allow me to share with you the budget allocation of Vote 15.

- 12.** The Ministry has received an overall budget allocation of **two hundred and eighty six million, one hundred and sixty-five thousand Namibia Dollars (N\$286,165,000)**, distributed among seven programmes which I will discuss shortly.

An amount of one hundred and sixty five million, six hundred and six thousand Namibia Dollar (N\$165, 606,000) is budgeted for the operational budget of which 71% is earmarked for remuneration and employee's benefits.

13. The total development budget is one hundred and twenty million, five hundred and fifty-nine thousand Namibia Dollars (N\$120,559,000).



A presentation of Namibian diamonds during Hon. Tom Alweendo's visit to Namdia offices

PROGRAMME 1: PROMOTION OF LOCAL AND INVESTMENT IN EXPLORATION

- 14. Thirty-three million, eight hundred and ninety-two thousand Namibia Dollars (N\$33,892,000)** has been allocated to this programme to ensure the safeguarding of mineral resources, investment promotion, the well-being of employees working in the mining industry as well as revenue collection, amongst other activities. Of this amount, **twenty-nine million, eight hundred and ninety-two thousand Namibia Dollars (N\$29,892,000)** is earmarked for operational expenditure under this programme.
- 15. An amount of four million Namibian Dollars (N\$4,000,000)** is allocated for the development projects and is earmarked towards the finalization of Small Scale Miners for the projects in Khorixas and Noordoewer.
- 16. Included in the operational budget is seven million Namibia Dollars (N\$7,500,000)** which is to be transferred to Epangelo Mining Company as a government subsidy.
- 17.** The priorities of the Department of Mines during this Financial Year are, amongst others, to finalise the Minerals Bill and the development of the Minerals Beneficiation Strategy.

18. The finalization of the Minerals Bill which shall strengthen the regulatory framework remains a key priority of the Ministry. The Ministry held a key stakeholders consultation workshop to solicit input into the Bill. Furthermore, the Ministry explored and secured services of a technical expert from African Development Bank (AFDB) to facilitate the benchmarking process in line with mining industry best practices and standards. The bill will be presented to Cabinet during this financial year (2019/2020).

19. The Development of the Minerals Beneficiation Strategy remains key to the Ministry in ensuring the sustainability of the sector and export of value added mineral products. The Joint Value Addition Committee has made significant progress in this regard and NUST has been appointed to develop the Beneficiation Strategy. The Strategy and Implementation Plan is expected to be finalised in August 2019.

PROGRAMME 2: CREATION OF KNOWLEDGE OF NAMIBIA'S GEOLOGICAL RESOURCES

20. This programme involves conducting of geo-scientific surveys, researches and management of geoscience data, with the objective of enhancing the understanding of the geological resources and their potential contribution to the socio-economic development.

- 22.** The programme received **an amount of seventy-three million, five hundred and ninety-four thousand Namibia Dollars (N\$73,594,000).**

- 23.** **An amount of thirty-eight million, eight hundred and thirty-five thousand Namibia Dollars (N\$38,835,000)** is allocated towards operational budget. While the development budget under this programme is **thirty-four million, seven hundred and fifty-nine thousand Namibia Dollars (N\$34,759,000).**

- 24.** The priority of this programme for the 2019/20 Financial Year is to provide base line geoscience data that is vital for mineral exploration and development. Geophysical interpretation of the under-explored Kavango East, Kavango West and Zambezi regions, is expected to end in 2019/2020.

- 25.** The Ministry plans to carry out Geological Mapping and Hyperspectral Survey of the Kunene region, a region that is less explored and with huge geological and mineral potential. Remote sensing techniques will be used to accelerate the project.

26. The Ministry will continue to upgrade and expand our National Seismological Network in order to improve geohazards assessment and mapping.

PROGRAMME 3: PROTECTION OF NAMIBIA'S DIAMOND INDUSTRY

27. **Twelve million, six hundred and thirty-two thousand Namibia Dollars (N\$12,632,000)** is allocated for the monitoring, regulation and facilitation of the diamond industry. In realising the speedy evolvement of the diamond industry, the Ministry initiated the review process of the Diamond Act, 13 of 1999 to ensure that the law governing the industry is responsive to the industry dynamics. This process is anticipated to be finalised in the next Financial Year.
28. In ensuring that the diamond industry remains protected against illicit diamond activities, Namibia remains compliant to minimum requirements of the Kimberley Process Certification Scheme and international best practices, thereby upholding a good image of Namibian diamonds and meeting international market standards.



Hon. Tom K. Alweendo presenting his keynote address at the Debmarine Namibia stakeholder breakfast meeting.

PROGRAMME 4: ENERGY SUPPLY AND SECURITY

- 29. Eighty-one million, two hundred and ninety-eight thousand, Namibia Dollars (N\$81,298,000)** is allocated to the programme to improve energy supply in the country to address energy supply, access to modern energy services and conservation.
- 30.** On Renewable Energy Power Supply, The Ministry continues to monitor the implementation of the Renewable Energy Feed-in Tariff (REFIT) interim programme and other Solar PV plants and wind projects.
- 31.** The rural electrification programme shall continue to be a priority for the Ministry in providing access and usage of modern energy services. To this effect **a budget of N\$54 million is allocated mainly to electrify schools and other government institutions.**
- 32.** The National Energy Fund received an allocation of **five million, three hundred and thirty-three thousand Namibia Dollars (N\$5,333,000)** during the 2019/20 Financial Year to manage projects funding and implementation. The National Energy Fund holds two funds namely; the National Energy Fund and the Solar Revolving Fund.



Hon. Tom K. Alweendo and his deligation at the Ruacana sub station

PROGRAMME 5: PETROLEUM SUPPLY AND SECURITY

- 33. An amount of thirteen million, six hundred and thirty one thousand Namibia Dollars (N\$13,631,000)** has been allocated to this programme. The projects under this programme will include conducting research to create an enhanced understanding of the Namibian petroleum systems.

- 34.** Namibia continues to promote the upstream potential with the aim of attracting more investments in the exploration of oil and gas on its continental margin. To create a conducive business environment and ensure employment of Namibian youth in the oil and gas retail industry, a dealer margin will be conducted country wide to determine shortfalls in operations and encourage efficiency.

35. Regular Inspections to depots, service stations and consumer installation sites will be conducted country wide with the aim of ensuring compliance to health, safety and environmental requirements.
36. Information sharing and public education will be conducted countrywide to educate and sensitize the public on petroleum activities such as fuel pricing, fuel specifications, licencing and the use of fuel from outside Namibia.

PROGRAMME 6: POLICY CO-ORDINATION AND SUPPORT SERVICES

37. This programme caters for the provision of essential services to enable efficient operation for the entire Ministry.
38. An amount of **seventy-one million, one hundred and eighteen thousand Namibia Dollars (N\$71,118,000)** has been allocated to this programme. Of this amount, **fifty-six million, three hundred and eighteen thousand Namibia Dollars (N\$56,318,000)** is allocated towards operational budget.
While an amount of **fourteen million, eight-hundred thousand Namibia Dollars (N\$14,800,000)** is allocated towards development budget such as the upgrade of the deteriorating ICT infrastructure.

39. Finally, as I conclude the motivation of Vote 15, the Ministry of Mines and Energy wishes to acknowledge the very difficult prevailing economic conditions and competing priorities. We welcome the allocation as it will still enable the Ministry to contribute its fair share to the fiscus and national development.
40. On that note, allow me to extend my sincere appreciation to my Minister, Honourable Tom K Alweendo, for his contribution towards the execution of our mandate. Equally, I wish to express my gratitude to our Executive Director, Mr. Simeon Negumbo and the entire staff for their hard work, dedication, innovation and commitment for providing excellent service to our citizens and valuable investors to our country.

**Honourable Chairperson of the Whole House Committee,
Honourable Members of this August House,**

41. I herewith submit the Budget for Vote 15, amounting to **two hundred and eighty six million, one hundred and sixty-five thousand Namibia Dollars (N\$286,165,000)** for your consideration and approval, and wish to assure this August House that the funds allocated to the Ministry of Mines and Energy will be used prudently to contribute to the socio-economic development of our country.

I THANK YOU!

Update on the National Oil Storage Facility

