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FEATURE: Namibia seeks to pacify booming oil sector after fiscal terms confusion

Minister's comments taken "out of context", allies say Namibia scrambling to ensure resources benefit nation County dubbed "new Guyana" after trio of huge finds

Emerging producer Namibia is seeking to calm its natural resources sector, with allies of its energy minister saying his comments about the government potentially taking free equity stakes in oil companies were being misinterpreted.

We are making a case that local ownership must start with the state, which holds ownership of our natural resources," Tom Alweendo, minister of mines and energy, told lawmakers May 29.

"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."

The comments led to dips in shares of mining companies operating in Namibia, which is also rich in diamonds and uranium, and triggered confusion among investors in the country's nascent oil sector.

Namibia — often dubbed the "new Guyana" following a trio of massive oil finds — is scrambling to manage a potential oil boom that could transform the country's economic

prospects, with large-scale investment already from global players ExxonMobil, TotalEnergies and Shell, and first oil predicted as soon as 2026.

The country could have 11 billion barrels of crude, according to estimates.

Following Alweendo's remarks, oil and gas players told journalists they could take their capital elsewhere if equity was grabbed by the state.

Out of context

"This is taken out of context," a source close to Alweendo told S&P Global Commodity Insights, suggesting the comments referred to blocks and licenses rather than companies.

The government already has stakes in mines, as well as in all petroleum licenses through NAMCOR, the state oil company, the source said.

By policy, NAMCOR has received a 10% carried interest in the exploration licenses that have been issued in Namibia.

"My understanding, having spoken to some folks locally, is that the minister's comments as they pertain to oil/gas were more in the nature of codifying this policy in statute as part of the overall formalization of the oil and gas regime going forward ... as opposed to implementing any new and additional burdens or requirements," an investor told S&P Global on condition of anonymity.

The investor blamed "generalization and context-independent reporting" for the uproar.

Uwadiae Osadiaye, an analyst at Lagos-based FBNQuest, said new and potentially huge discoveries were less risky for international companies than mature opportunities.

"I do not think the state's considerations are out of line. A minority, non-controlling stake in a natural resource is commonplace within the industry," Osadiaye said. However, "fiscal terms, deal structure and so on should be clear".

"I believe all stakeholders involved may need to seek clarification on the comments," said Olufola Wusu, a lawyer and energy specialist.

Alweendo's comments underscored the challenge Namibia faces in rapidly exploiting resources and building a hydrocarbons sector from scratch, while ensuring the country benefits in the long run.

A four-year turnaround from discovery to first oil is lightning fast. In 2021, Namibia's GDP totaled just \$12.3 billion, according to the World Bank.

“There is a real desire on the part of the Namibian government at all levels ... to do this as quickly as possible and to harness this opportunity,” Robert Bose, president of Sintana Energy, which has stakes in four offshore blocks, told S&P Global in an interview.

“That is being counterbalanced by a very strong desire to ensure that, through the development of local capacity, the local stakeholders, citizens and the nation as a whole benefit maximally.”

Major discoveries

The episode followed a recent exploration blitz in the Orange Basin, which Bose called “literally the most exciting exploration basin in the world”.

Last year, TotalEnergies — which is plowing half its 2023 exploration budget into Namibia — discovered light oil with associated gas in its Venus prospect while Shell announced a large discovery in its Graff prospect.

Alweendo said the finds were of commercial quantities, likely in the billions of barrels. Venus, Bose said, “could be one of six super-giants ever discovered in Africa.”

Then, this year, QatarEnergy, Shell and Namibia’s state oil firm NAMCOR found oil in their Jonker wildcat play. ExxonMobil, meanwhile, has acquired assets in the northern Namibe Basin.

Sintana has farmed out its blocks to IOCs, including Chevron.

“It is possible that within the next four quarters we could have three or more exploration wells drilled on our blocks including a well on each block by each of these operators with no additional capital required from us,” Bose said. “In the next 12 months there could be discoveries on three different blocks.”

The discoveries could make Namibia — which shares a border with OPEC member Angola — one of Africa’s major oil producers.

“I think broadly speaking the idea that Namibia will be the next Guyana holds water in the sense of the scale of its potential and importance in the global exploration and future supply picture,” Bose said.