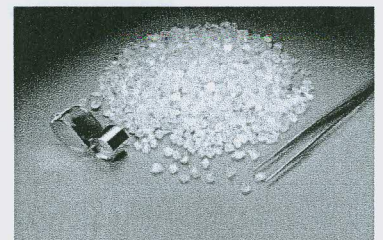
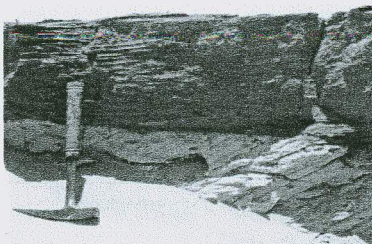


Ministry of Mines and Energy
Vote: 15

Budget Speech

By
Hon. Isak Katali, MP

March 2014



Honourable Speaker,

The Ministry of Mines and Energy was established to take custody of Namibia's rich endowment of mineral and energy resources and to create an environment in which the mineral, energy, and geological resources contribute to the country's social-economic development.

The Ministry regulates and controls the mining and energy sectors through the relevant pieces of legislation and administers these legislations in order to ensure that our resources are protected.

It is my pleasure to present our Ministry's budget according to the activities outlined in the Medium Term Expenditure Framework (MTEF).

1. PROMOTION OF LOCAL AND FOREIGN INVESTMENT IN EXPLORATION AND MINING.

An amount of **N\$27 841 million** was budgeted for the 2013/2014 financial year for the design and development of Regional Small Scale Mining projects. Fifty percent (**N\$13 920.5 million**) of that budget was utilized in advancing the initial phases whereas the remainder had to be suspended from the current financial year 2013/2014 to allow funds to be released in the next financial year in order to finalise the projects.

A total of 238 Exclusive Prospecting Licences (EPLs) were issued while 242 Mining Claims were registered. Out of these, 222 EPLs were granted to Namibians or companies with Namibian participation. The constructions of the Husab, Otjikoto and Thscudi mines are all on schedule and budget.

I am regrettably reporting that during the 2013/14 financial year, three lives were lost due mine accidents. This is indeed sad, as it affects families and the nation at large. Our goal as a ministry is to have a record of zero fatalities. The Ministry will need considerable additional resources to increase regular mine visits and intensify health and safety awareness to the industry.

***Honourable Speaker,
Honourable Members,***

2. CREATION OF KNOWLEDGE OF NAMIBIA'S GEOLOGICAL RESOURCES

The Geological Survey of Namibia is entrusted with management and research of Namibia's geology. The institution continued to enhance

knowledge and awareness of Namibia's geological resources and to disseminate quality research information thereby facilitating the search for mineral resources, geological engineering, land use planning and sustainable development with due regard to the environment.

During the current financial year, five 1:50 000 scale geological maps were completed in the Warmbad area in the //Karas Region. Data from airborne geophysical surveys which comprise one of the best data sets worldwide are now being interpreted, and continue to attract exploration investment. The minerals database is also constantly growing and is used by many potential investors.

The Geological Survey of Namibia directorate has another responsibility to minimise the negative impact of mineral resource exploitation on the environment and enhance the understanding of Namibia's geo-environment including its geological resources.

Honourable Speaker,
Honourable Members,

3. PROTECTION OF NAMIBIA'S DIAMOND INDUSTRY

Diamonds contributed **N\$2.5 billion** in royalties and taxes and dividends to the State Revenue Fund in 2013. We expect similar levels of contributions to the State from this strategic resource in 2014. Separately, the Namibia Diamond Trading Company (NDTC) contributed **N\$120 million** in dividends to the State as a result of local sales of diamonds to local cutting and polishing factories. Namdeb Holdings has contributed **N\$74 million** in dividends.

Much value is concentrated in a single stone, and thus it is imperative that Diamond Inspectors remain vigilant whenever diamonds are being handled or transported. As a strategic resource, their monitoring and regulation remains one of the major priorities for the Ministry.

Beneficiation of our diamonds continues to be one of our key objectives in line with Vision 2030 and National Development Plan (NDP) goals. However, this sector is experiencing back braking challenges. Prices of rough diamonds has skyrocketed while at the same time prices of polished diamonds have remained stagnant, therefore, manufactures margins has diminished significantly leading to some bankruptcy.

Our factories have therefore been under immense pressure and have been fighting for their survival.

*Honourable Speaker,
Honourable Members,*

4. ENERGY SUPPLY AND SECURITY

The Ministry continues with rural electrification programme by providing electricity to schools and other government infrastructures and churches in rural areas in all the regions. Rural electrification work has been under way in 38 localities countrywide, during the 2013/2014 financial year. An amount of **N\$85 million** was budgeted for the programme. However, **47% (N\$40 million)** of that amount was used for the upgrading of overloaded distribution substations in the Cenored and Nored regions.

Qualified and adequately experienced contractors still remains a challenge, and due to that factor, many rural electrification projects could not be implemented on time. Delays and timely delivery of transformers and other exported materials also hamper the implementation of projects.

The Solar Revolving Fund (SRF) continues with the issuing of loans to successful applicants at five percent interest rate. A total of 441 loans have been successfully issued, amounting to a total amount of **N\$11 933 475.96 million** during the 2013/2014 financial year.

To ensure reliable, affordable and cost reflective energy the National Energy Fund (NEF) has paid an amount of **N\$204.8 million** for the equalization of fuel price to companies. NEF also paid an amount of **N\$68.8 million** for the fuel road subsidy to the rural/far outlying areas. The Fund collected an amount of **N\$112 million** from levies to cater for the construction of the Strategic Oil Storage Facility for 2013/2014 financial year.

5. PETROLEUM SUPPLY AND SECURITY

The quest for oil and gas in Namibia is continuing even though the drilling campaign by HRT in 2013 did not yield the expected results. The company nevertheless managed to recover the first oil sample from their Wingat-1 well from their non-commercial discovery offshore Namibia last year.

Ever since then, oil and gas exploration has been continuing at a steady pace with new international oil companies such as Tullow, Shell, Murphy, OMV and Impact Oil coming into existing licenses to participate in the search for oil and gas on our shores.

This financial year, we expect another well to be drilled by a Spanish company Repsol and its partners Tower Resources and Arcadia Expro in the Walvis basin. Results of this drilling exercise will be expected in the first quarter of this financial year.

I am happy with the progress that the upstream and downstream developers of the Kudu gas to power project have made so far in implementing this project. Tullow, Itochu and Namcor on the upstream side and Nampower on the downstream side are now very close to negotiating and finalising a gas sales agreement to enable a Final Investment Decision (FID) to be made by the middle of this year and Financial Close to be reached by the end of this calendar year.

In its turn Government is expected to provide the necessary support package to reach these two milestones during 2014. This will mean that first gas and first electricity will be delivered towards the end of 2017 or beginning 2018 as planned making Namibia a net importer of electricity to a net exporter.

6. COORDINATION AND SUPPORT SERVICES

In line with the Policy of Decentralization of the Government, the construction of a regional office in Swakopmund has been planned, in an effort to bring services closer the nation. It is envisaged that the construction will be completed towards the end of 2015.

On policy issue side, I would like to inform the National Assembly Members and the Nation at large that, I have kept to my promise with regard to the issue of transformers. A National Connection Policy has now been completed and ready to come to this August House. This policy is uniformly throughout the whole country, but we could only be able to go back to November 2013, to get reimbursement for the connection to your investment in paying for the transformer.

With this Honourable Members, I assure you that the **N\$869 453 000 million** requested, will be used for the benefit of our people and the development of our country.

I thank you.