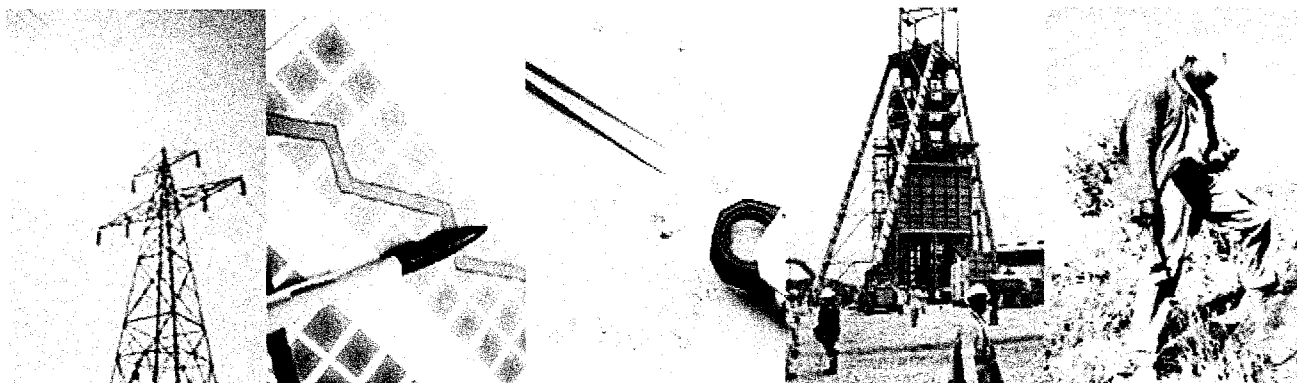


Ministry of Mines and Energy

VOTE 15



BUDGET SPEECH

By

Hon. Isak Katali, MP

05 April 2012

Honourable Speaker,

As the custodian of Namibia's rich endowment of mineral, geological and energy resources it is my honour and privilege to table to this August House vote 15 of, the Ministry of Mines and Energy. Our Ministry promotes, facilitates, regulates and monitors the responsible and sustainable utilisation of these resources for the benefit of all Namibians.

The objectives of the Ministry of Mines and Energy in the current Medium Term Plan are to ensure that:

- ❖ ***The output of mineral and energy production is optimized;***
- ❖ ***Mineral and energy production benefits the entire nation;***
- ❖ ***The nation is provided with an adequate supply of energy;***
- ❖ ***The negative impacts of mineral and energy resource exploitation on the environment are minimized;***
- ❖ ***The understanding of the geo-environment is enhanced.***

The Ministry is engaged in activities that have a significant and far-reaching impact on the overall performance of the national economy and the wellbeing of the Namibian people. These activities involve mineral exploration, mining, and beneficiation. Furthermore, these activities include measures to mitigate the possible effect that the electricity shortage might have on the national economy.

**Honourable Speaker,
Honourable Members,**

With this in mind, it is my pleasure to present our Ministry's budget proposal according to the programmes outlined in the Medium Term Expenditure Framework. I am going to briefly discuss our successes and challenges during the previous financial year while introducing to the house our request, having in mind that there is an accountability report already submitted and an annual report that will follow.

1. OPTIMIZATION OF OUTPUT OF MINERAL AND ENERGY PRODUCTION

During the 2011/2012 financial year Mining generated approximately N\$13 billion in export earnings of which N\$879 million was collected in royalty payments for all minerals which were mined. Royalties from non-diamond minerals recorded an increase of 5% while nuclear fuel minerals recorded a decline of 25%. The increase has been as a result of the Ministry engaging and compelling the producers to comply with the statutory requirements of the Minerals (Prospecting and Mining) Act, 1992. For the 2012/2013 financial year, we will continue to concentrate on the challenges of late payments as well as strictly scrutinizing and enforcing transfer pricing agreements by some mining companies. During the previous financial year, we also collected close to N\$ 2 million in penalties for late annual license fees.

Employment in the minerals industry increased by 17 % from 7,136 to 8,597 due to the reopening of the Matchless and Otjijhase mines as well as the commissioning of Africa Hua Xia copper mine near Rehoboth. Expansion programmes at the Rössing and Langer Heinrich Uranium mines also created hundreds of temporary jobs.

We continue to review the Minerals Act to make provisions for, amongst others, the State Mining Company to participate actively in the minerals industry. The amendments to the Minerals Act will also incorporate Minerals declared strategic to the development of Namibia. Epangelo Mining Company has acquired a 10% equity interest in Swakop Uranium (Extract Resources) to jointly develop the Husab Uranium Deposit. The company has also negotiated and signed several Memoranda of Understanding to obtain equity in several mining projects.

It is very important to note that lack of capital seriously hampers Epangelo Mining Company's capability to successfully acquire meaningful stakes in major mining projects. This further delay the implementation of cooperation agreements concluded to jointly carry out exploration and development of projects. It cannot be over-stated that at its infant stage, Epangelo Mining needs as much support as necessary from the State, and, it must be taken into cognizance that this company has enormous upside potential for the future and is an investment for our generations to come.

During the 2011/2012 financial year, the Ministry started the process of developing the Namibia Nuclear Fuel Cycle Policy with the assistance of the Government of Finland. The draft Nuclear Fuel Cycle Policy is 90% complete and has been presented to stakeholders to incorporate their inputs.

Namibia has ratified the Additional Protocol in addition to the Safeguards agreement with the International Atomic Energy Agency to grant the IAEA expanded rights of access to information and sites and provide assurance that Namibian origin ore concentrate is only used for peaceful purposes. Together with the ratification of the Pelindaba Treaty, our country has reaffirmed its commitments under the Non Proliferation Treaty and undertakes not to develop or acquire nuclear weapons programs but will support regional cooperation in peaceful nuclear technology.

Amongst some of the setbacks, Rössing Uranium Limited and Namdeb Mining Corporation experienced strikes by their employees. These unfortunate actions had a negative effect both in terms of production and the contribution to the Fiscus. Concerted efforts by all stakeholders ensured that the companies resumed production while engagement strategies have been devised to avoid further incidents of this nature.

It also saddens me to inform this house that similar to last year when we lost three lives at mines during the first quarter alone, this year we have unfortunately recorded two fatalities. The ministry's inspectors of mines will intensify engagement with the industry to ensure that the loss of lives at our mines is addressed and preventive programmes are re-evaluated in consultation with the mining industry.

The Ministry continues in its endeavour to improving efficiency and accelerating service delivery and transparency in the sector. In an endeavour towards achieving the above mentioned objective, the Ministry plans to continue hosting stakeholder engagement workshops to share information and to discuss challenges such as reporting, mineral licences administration, health and safety, and small scale mining issues. Thanks to the dedication and hard work of the ministry employees, I can report that the historic backlog in processing mineral licences application has been brought up to date.

In the 2011/2012 financial year, we issued 202 new and renewal Exclusive Prospecting Licences and 3 Mining Licences. The first mining license is for a medium sized copper mine, another for the Husab Uranium Deposit and the third one for an offshore marine phosphate mine. We have 7 pending mining licenses and 45 pending Exclusive Prospecting License applications, which we shall respond to during the next few months.

**Honourable Speaker,
Honourable Members,**

During the previous financial year, we continued with the geological mapping of the country. Our geochemical sampling went up to 16% coverage of Namibia from 13% in the 2010/2011. We will continue with the geosciences surveys and mapping programme during this financial year.

I am pleased to report that we have virtually completed the high resolution airborne geophysical surveying. The interpretation of the data from the Karas Region has started and will be completed in this financial year. In addition to the interpretation I mentioned above, the Kalahari airborne survey covering two blocks are scheduled to be flown. This will complete national magnetic/radiometric coverage of the whole country. The application of remote sensing data plays an important role in mapping and mineral discoveries. All these efforts are imperative to unlocking the dormant mineral potential of a country that despite increased exploration expenditure and activities remains still underexplored.

The Ministry, through the Geological Survey monitored earthquakes occurrence and used the results to raise awareness on these phenomena to the public. To improve monitoring of seismic activities, an additional seismological station was built at Gobabis. Several other stations are scheduled to be built during the 2012/13 financial year at Karibib, Mariental and Katima Mulilo.

In an attempt to attract investment in mining in Namibia, the Ministry has upgraded its information management system Earth Data Namibia (IMS EDN). The Ministry will continue to upgrade and add the necessary modules to the database.

**Honourable Speaker,
Honourable Members,**

The global diamond sector is making a strong come back and diamond prices increased by approximately 12% in 2011.

Namdeb and De Beers Marine production will increase to healthy levels again, although about 65% of the production is from offshore as onshore resources are naturally depleting. Therefore, employment levels would never go back to where they were before the economic crisis as offshore diamond mining is very capital intensive and heavily automated. However, I would like to assure the nation that the opening of Sendelingsdrift mine and production at the smaller mines such as Auchas, Aris and Goab will still keep mining on land active for more than ten years to come.

The strike at Namdeb Mining Corporation I mentioned earlier, coupled with a failure of a seawall at Mining Area 1 and a breakdown on one of the vessels reduced diamond production during 2011 to just above 1 million carats but this was offset by price increases.

We do not expect prices to increase by huge margins as was the case in 2010 due to a liquidity crisis in India and continued economic problems in Europe but we expect prices to hit a plateau due to scarcity of rough diamonds, with slight increases expected early next year.

A large portion of this year's allocation will again go towards activities geared primarily for the monitoring and regulation of the industry and promotion of growth, diversification and stability of our diamond industry. Diamonds remain vulnerable to the threats of illicit trading and smuggling, and are closely aligned to money laundering and conflict diamonds that can destroy the good image of Namibia's beautiful gems. Therefore we must remain vigilant to ensure that this strategic resource remain protected. We should continue to give our inspectors all the logistical facilities and resources necessary to enhance their capacity to be the eyes and ears of the Government whenever a diamond is extracted and whenever that diamond is moved from one place to another before they are exported from Namibian territory.

In an effort to optimize the output of mineral and energy production, we have budgeted an amount of **N\$16,448,000**.

2. ENSURING THAT MINERAL AND ENERGY PRODUCTION BENEFITS THE ENTIRE NATION

As soon as the New Equitable Empowerment Framework (NEEF) is finalized, we envisage to have the Economic Empowerment charters for the electricity, petroleum and the mining sectors in place to ensure that mineral and energy production benefits previously disadvantaged Namibians. In particular, the State Owned Companies shall play a pivotal role to ensure the benefits from our mineral resources are broadly enjoyed by all and that barriers towards the participation of Namibians in the sector are broken down.

The Ministry will continue to award tenders for the wiring of government buildings in rural areas exclusively to small and medium enterprises (contractors), preferably to those residing in the same areas of the projects implementation. These measures are meant to enhance our Economic Empowerment Initiative.

During 2011/2012 financial year N\$ 1 million was budgeted for small scale mining activities. N\$ 500,000 was spent to procure equipment/machinery for the three small scale mining projects to be implemented during the 2012/2013 financial year. The balance was expended for the procurement of a 4 ton truck for the Cutting and Polishing Facility for Dimension Stone Remnants in Karibib. This is in line with our drive to reduce unemployment in rural areas as well as in line with Vision 2030's agenda to add value to our minerals.

For this financial year, N\$17.9 million has been budgeted for the implementation phases of the three small scale mining projects, namely:

Setting up of a Slate Cutting and Polishing Facility at Noordoewer; and, Cutting and Polishing Facility for Dimension Stone Remnants at Karibib; and, a Sodalite Remnants at Opuwo.

An amount of **N\$ 26,814,000** has been budgeted to ensure that Mineral and Energy production benefits the nation

3. PROVISION OF ADEQUATE SUPPLY OF ENERGY TO THE NATION

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

The Namibian Government has maintained the momentum of oil and gas exploration in the country. Almost all the available license blocks have been licensed out to various international explorers who have teamed up with our own Namibian empowerment companies as well as Namcor. We expect roughly half a dozen wells to be drilled offshore Namibia in the next couple of years and look forward to prove the much talked about presence of oil and gas in Namibia. We have also seen the return of major oil companies to Namibia such as Petrobras and BP making Namibia a formidable petroleum exploration destination in the world.

The development of the Kudu Gas to power project is expected to reach a critical milestone this year with the expected support from the Government. This is the only confirmed national project that can unlock our only proven gas resource. This will make the country a net exporter of electricity in a region where we face critical electricity shortages.

The Ministry continues to manage and regulate fuel prices, and keep them to a minimum without disturbing the national economy. The Ministry could not ignore the market forces which lead to fluctuations in crude oil prices, hence, fuel prices have been fluctuating

locally since the last quarter of 2011 and is believed to continue fluctuating in the second quarter of 2012. For a nation that is 100% dependent on imported petroleum products to meet its energy needs, government must make difficult decisions between shedding out more subsidies or passing on cost increases to consumers.

Currently, fuel prices are escalating due to sanctions propelled by EU against Iran with a large portion of Iran's exports being cut off causing a shortfall in the supply of oil globally. With these new developments, comes excess demand of oil as opposed to supply, thereby pushing crude oil prices up.

There is also recognizable increase in oil prices that will be as a result of the recession in the Euro Zone. In the long run, this will help the crude oil prices to moderate with the addition of alternative suppliers being identified.

Several surveys and reviews have been conducted to ensure that the liquid fuel industry remains profitable and players can still maintain some level of confidence to invest in the sector. The Ministry continues to implement an annual survey based on the methodology which ensures that dealer and wholesale margins remain sustainable. The local fuel industry continues to attract new players as the number of retail licenses issued increases annually. In the 2011 year, ten new wholesale licenses, eighteen new consumers' licenses and seven new retailers' licenses were issued.

To ensure reliable affordable and cost reflective energy the National Energy Fund (NEF) has paid a total amount of N\$ 264.2 million for the equalization of fuel prices. While a total amount of N\$ 66.9 million was paid for the Fuel Road Delivery Subsidy to the rural/far outlying areas during the same year. The NEF income as from the 1st April 2011 to 31st January 2012 is amounting to N\$ 387.3 million.

NEF will continue to subsidize the energy prices and provides financial support to energy projects for the benefit of Namibian consumers. In addition, the NEF will supplement the energy budget to develop energy infrastructures and ensuring that the National Energy mix reacts positively to global energy turmoil.

Our Ministry shall continue with rural electrification by providing electricity to schools and other government infrastructures such as clinics, police stations, agricultural development centres and churches in rural areas in all the regions. During the 2011/2012 financial year, 98 localities benefited from the rural electrification project. Only 5 of those localities do not have schools.

During the period under review, we experienced the following difficulties in the implementation of rural electrification projects:

1. Shortage of qualified and adequately experienced contractors and hence not many projects could be implemented on time.
2. Untimely delivery of transformers and other equipments from outside the country.

3. Early rainy season pass through water planes (Oshanas) that resulted in some sites being inaccessible.

An amount of **N\$60 million** is budgeted for 2012/2013 rural electrification programme.

**Honourable Speaker,
Honourable Members,**

The negotiations through the Permanent Joint Technical Commission (PJTC) between Angola and Namibia to develop the Baynes Hydropower Scheme are progressing well.

The Techno-economic Feasibility Study as well as the Environment Impact Assessment study have been finalized. The Draft Studies were presented to the PJTC early this year and the final Reports will be concluded soon.

The Anixas Diesel Power Plant in Walvis Bay was completed and commissioned last year. It has a capacity to generate 22 MW. Nampower has also been working on the installation of an additional unit at the Ruacana Hydro Power Plant which is now completed and to be commissioned during this financial year. A hybrid solar power plant was recently commissioned at Tsumkwe.

Since the re-launch of the Solar Revolving Fund in April 2011 969 applications were received for renewable energy technologies. The fund successfully issued 197 loans to the value of N\$5,257,551.58 for the 2011/2012 financial year. The Ministry also established 10 Energy shops in the regions i.e. Hardap, Omaheke, Kavango, Oshikoto, Ohangwena, Omusati, Otjozondjupa, Oshana, Kunene and Caprivi, which aims to improve the accessibility of energy solutions to the rural communities.

An amount of **N\$ 70,958,000** is required for the provision of adequate supply of energy to the nation.

4. MINIMISATION OF THE NEGATIVE IMPACT OF MINERAL/ENERGY RESOURCE EXPLOITATION ON THE ENVIRONMENT

We recognise the three spheres of sustainable development, comprising the economic, social and environmental aspects. In the past, the economic sphere took centre stage with mining often focused on economic benefits at the expense of social and environmental aspects. As such, the ministry plays a major role in the minimization of negative impacts of resource exploitation on the environment through the protection of vulnerable and scarce natural resources.

Funds have been allocated to programmes in the ministry for this financial year 2012/2013 to carry out tasks that minimise the negative impacts of mineral / energy resource exploitation on the environment. These tasks include environmental monitoring of active mines, assessment of risk potential for abandoned mines, contributing to coastal

management, urban land-use planning, as well as operating an environmental and rock and soil mechanics laboratories.

The Ministry completed a Strategic Environment Assessment Plan with major focus on uranium mining in the Central Namib in the previous financial year. We are in the process of implementing the recommendations of this strategic assessment through a Strategic Environmental Management Plan which involves regular monitoring of key issues identified, such as groundwater and air quality.

The Ministry procured analytical equipment, that will be used in ensuring timely detection of soil and groundwater contamination which might pose potential harm to humans and the surrounding environment.

The Ministry has also adopted a risk assessment manual for abandoned mine sites. Pilot studies were conducted at the Berg Aukas and Abenab mines to allow the ministry to fully customize the risk assessment manual to the Namibian situation.

During this financial year, the ministry will continue to upgrade its rock and soil mechanics laboratory, implement the Strategic Environmental Management Plan for uranium and applying the risk assessment manual to abandoned mine sites listed in the database of the ministry.

The focus of environmental monitoring of current mining and processing activities in this financial year expands from uranium mining into other forms of mining such as gold and manganese, amongst others.

We have set aside an amount of **N\$ 1,372,000** to minimise the negative impact mineral/energy resource exploitation on the environment

5. ENHANCEMENT OF THE UNDERSTANDING OF THE GEO-ENVIRONMENT

Information on geological matters is continuously provided through the Ministry's museum and library, which attract scientists, tourists, scholars and all other Namibians alike.

The Ministry recognizes the potential for geo-tourism and has continued to engage with relevant stakeholders to indentify and establish more "Geo-Parks" under the respective UNESCO programme. These activities are supporting the tourism sector, which is important for the Namibian economy, while at the same time alleviating poverty and creating employment opportunities.

An amount of **N\$ 2,564,000** will cover efforts to enhance the understanding of the geo-environment.

6. COORDINATION AND SUPPORT SERVICES

The purpose of this programme is to provide administrative support to the Ministry's programmes, ensure proper financial management and ensure optimal deployment of resources. The resources include human, financial, knowledge and equipment. This programme also deals with capacity building.

The General Administration focuses mainly on the implementation of the Ministerial Strategic Plan, the Performance Management System (PMS) and contributes to the realisation of Vision 2030.

It further ensures timely payment of remuneration to employees. It also focuses on related statutory expenses and utilities of the Ministry. It further addresses the issues of maintenance and expansion of the Ministerial offices countrywide to ensure adequate office space for all staff members. Lastly, this activity shall ensure that vacancies are advertised and filled on time, to address unemployment rate.

Therefore an amount of **N\$76,242,000** has been budgeted for this programme to bring the total budget request to **N\$194,398,000**.

**Honourable Speaker,
Honourable Members,**

I would further like to assure Members of this House that the funds I request for appropriation to our Ministry will be utilized prudently and assure that these funds will be used to improve the quality of life of our people.

I would also like to take the opportunity to express my gratitude to the Minister of Finance, her Deputy, Permanent Secretary and staff for our budget allocation. Furthermore, I would like to thank companies in the mining and energy sectors that have been and continue to be good corporate citizens.

I thank you.