

Budget Speech 2018/2019

Hon. Kornelia Shilunga,

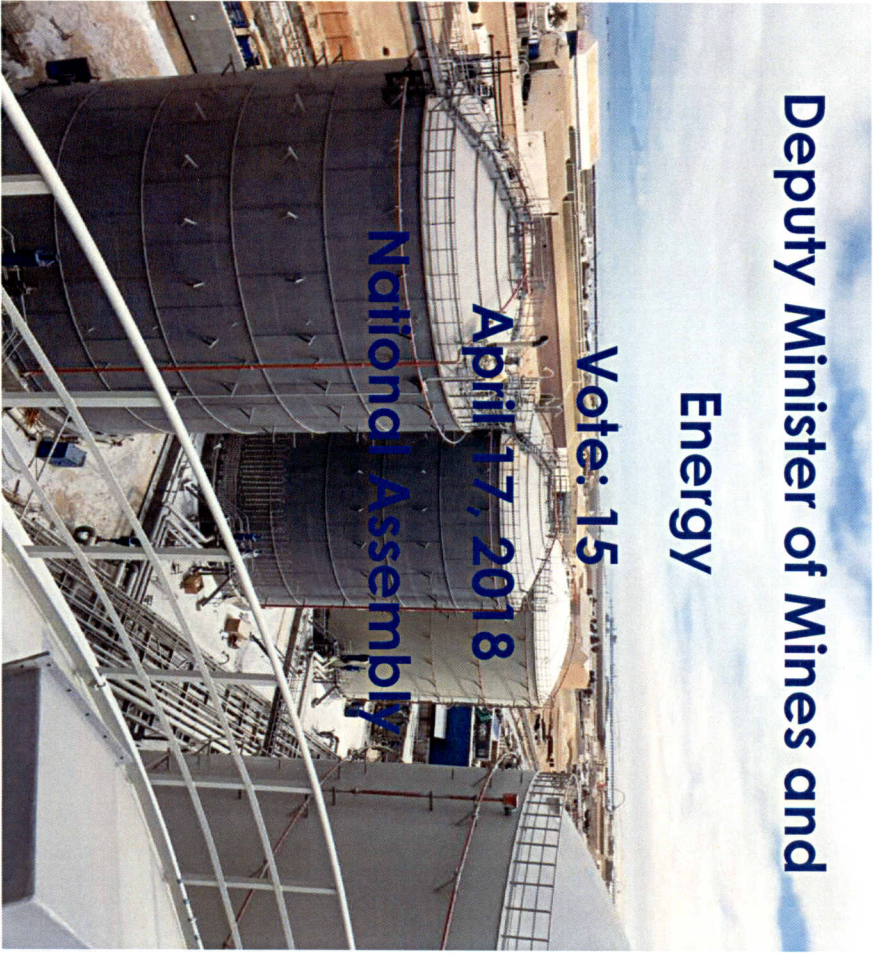
Deputy Minister of Mines and

Energy

Vote: 15

April 17, 2018

National Assembly



**Honourable Chairperson of the Whole House Committee
Honourable Members of the National Assembly**

1. It is my honour to introduce to this August House the budget allocation for vote 15, the Ministry of Mines and Energy, for the 2018/2019 Financial Year.
2. I would like to thank Honourable Calle Schlehtwein, Minister of Finance and Hon. Obeth Kandjoze, Minister of Economic Planning and Director General of the National Planning Commission and their respective teams for a diligent job in the preparation of the national budget in these difficult 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 the promotion and regulation of the extractive and energy industries in the country, including the collection of royalties, and ensuring that safety, health and environmental standards are consistent with the relevant national policies, legislation, regulations and international best practices.
5. Despite the financial distress experienced during 2017/2018 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.

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

**Allow me to highlight some of the Ministry's major
achievements during the 2017/18 Financial Year.**

6. An amount of N\$23 billion was generated from mineral export earnings. A total of N\$28 million was earned from petroleum exploration & production rental fees. Additionally, N\$2.3 million was collected from mineral licences while royalties added another N\$1.3 billion to the State Revenue Fund.
7. Despite the challenges experienced in the uranium market, the Husab Mine commenced commercial production and exported its first product shipment during December 2017. The Mine is expected to produce to full capacity by the end of 2018.
8. The B2Gold Mine has produced 5,436 kg gold during the 2017/2018 Financial Year, an increase from 4,845 kg in the previous Financial Year.
9. The copper cathode production at the Tschudi mine remained on target as planned producing, 15,466 tonnes during 2017/18 Financial Year.
10. The Okanjande Graphite project situated about 70 km northwest of Otiwarongo commenced production in 2017. It is anticipated that the mine will have a lifespan of about 35 years at a production rate of 20 000 tons of graphite per annum. The company employs 139 people on the mine and 108 people on the plant.

11. The Namibian Diamond production for the period under review was just over 1,8 million carats. Over 240,000 carats of Namdeb run-off mine were offered locally to Namib Desert Diamonds (Pty) Ltd (NAMDIA) and local sightholders at a value of **three hundred and sixty million, one hundred and twenty-five thousand US Dollars (USD 360,125,000)** as compared to **two hundred and ninety one million, eight hundred thousand US Dollars (USD 291,800,000)** in 2016/17 Financial Year. This achievement has yielded an increase in beneficiation activities and enabled NAMDIA to fulfil its mandate.
12. A significant improvement of rough diamonds converted into polished has been observed due to improved monitoring, reporting and stakeholder engagement, by the Ministry, in driving the beneficiation agenda. To that effect, 54% of rough diamonds offered to the local sightholders has been processed locally.
13. The Ministry hosted the Kimberly Process (KP) Certification Scheme Review Visit in September 2017, which found and confirmed that Namibia has been compliant to the Kimberly Process minimum requirements and thus continues to trade its diamonds, which are certified as conflict free.
14. In a move to improve the unemployment situation in rural areas, the Ministry of Mines and Energy continues to support a slate processing facility in Noordoewer, //Karas Region at which 13 workers are employed.

15. The Ministry is also embracing the use of information technology with a view to increase efficiency, as well as to reduce costs. The use of the Flexi cadastre mineral rights licensing and management system is a case in point. Its use has improved service delivery and public access to the mineral rights register.
The Ministry seeks to further upgrade the system, in order to ensure a clear, transparent and timely licensing process.
16. In terms of the exploration for oil and gas, the 2017/18 financial year was another volatile year, however, the Ministry enhanced its database with up to 834 line km of 2D seismic data and about **1,150 square kilometers (km²)** of 3D has been acquired. Another survey acquiring more than **3,000 square kilometers (km²)** of 3D data is currently ongoing within the Walvis basin.
17. The interpretation of a combination of these data together with other information available has enabled a number of prospects and leads to be mapped, taking the country a step closer to a discovery of commercial volumes of hydrocarbons. Furthermore, the geological mapping with High Resolution Airborne Geophysics continues to drive exploration interest in Namibia.
18. Concerning the Regional Geochemical Sampling programme, the national coverage is at 25%. In addition, the Ministry of Mines and Energy continues with the implementation of the Strategic Environment Management Plan for the Uranium Mineral Province (Erongo Region).

19. Great advancement towards the realization of Kudu Gas To Power Project continues to be realized. The BW Kudu, a wholly subsidiary of BW Offshore (Singapore based company) has formally taken over as the upstream operator on the license with a 56% working interest with NAMCOR retaining 44% interest in the Kudu License.
20. Following a review process which began in July 2017, informed by the current regional power market dynamics, Kudu Project stakeholders have made a decision to re-size the Kudu Power Station to 442 MW, requiring 60 million standard cubic feet per day over a 25 year Gas Sales Agreement. The lower gas offtake over a longer concession will make the Kudu Power Station a better fit within NamPower's generation needs and financial capabilities.
21. The construction of the National Oil Storage facility in Walvis Bay is nearing completion at an overall rate of 95% with a projected total cost of N\$5.6 billion. The project is funded through the National Energy Fund (NEF) and is expected to be completed by June 2018.
22. Upon completion, this facility is expected to improve the country's security of fuel supply. Simultaneously, it is also expected to create employment opportunities and contribute significantly to government revenue.
23. In addition, the NEF continues to subsidize energy prices as per its mandate, through levies imposed on controlled petroleum products and electricity.

During the 2017/2018 Financial Year, NEF paid an amount of N\$252 million to the Suppliers of Petroleum Products to subsidize the prices of petrol and diesel.

24. Similarly, during the same Financial Year, NEF paid an amount of N\$104 million for the fuel road delivery subsidy to the rural/far outlying areas of the country. These communities are generally less affluent and, they cannot afford the full cost of delivering fuel to their localities to be added to the pump prices.

25. Apart from the extractive industry activities, the Ministry is mandated to regulate and oversee the energy activities in the country. The following National Policies have been finalized and approved by Cabinet in 2017:

- The National Energy Policy.
- National Renewable Energy Policy.
- National Integrated Resource Plan (NIRP).

26. The Renewable Energy Feed-in Tariff (REFT) interim programme has added a total 45MW out of the anticipated 70MW to the national grid during the 2017/2018 Financial Year. Another 25MW will come on line within the next 4 months.

27. The construction of a 37MW Solar Photovoltaic (PV) plant near Mariental has begun, and is envisaged to feed electricity into the national grid by mid 2018. The ground breaking ceremonies of a 10MW Solar PV near Mariental, and 10MW Solar PV near Keetmanshoop took place on 22 February 2018. The power plants are expected to feed electricity into the national grid by the end of August 2018.

28. In terms of the Rural Electrification Programme, **an amount of seventeen million, eight hundred and thirty-four thousand Namibia Dollars (N\$17,834,000)** was spent towards the projects during the 2017/18 Financial Year whereby, 20 public institutions and localities have been electrified in Kavango West, Kavango East and Omaheke regions. 29 households and 7 formal and informal business centers have been connected to the national grid.

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

**Allow me now to motivate the budget allocation of Vote
15.**

29. The Ministry has received an overall budget allocation of **two hundred and sixty four million, three hundred and twenty-one thousand Namibia Dollars (N\$264,321,000)**, which is distributed among seven programmes which I will discuss shortly. **An amount of one hundred and seventy million, four hundred and ninety-eight thousand Namibia Dollar (N\$170, 498,000)** is budgeted for the operational budget of which 68% is earmarked for remuneration and employee's benefits.

30. The total development budget is **ninety-three million, eight hundred and twenty-three thousand Namibia Dollars (N\$93,823,000).**



Hon. Shilunga at the Morse Investment Diamond Cutting & Polishing Factory

PROGRAMME 1: PROMOTION OF INVESTMENT IN EXPLORATION AND MINING

31. **Thirty-six million, seven hundred and seventeen thousand Namibia Dollars (N\$36,717,000)** 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, **thirty-five million, two hundred and ninety-four thousand Namibia Dollars (N\$35,294,000)** is earmarked for operational expenditure under this programme.

32. **An amount of one million, four hundred and twenty-three thousand Namibian Dollars (N\$1,423,000)** is allocated for the development projects and is earmarked towards the finalization of Small Scale Miners for the projects in Khorixas and Noordoewer.
33. **Included in the operational budget is Twelve million Namibia Dollars (N\$12,000,000)** which is to be transferred to Epangelo Mining Company as a government subsidy.
34. The priorities of the Department of Mines during this Financial Year are, amongst others, to finalise the Minerals Bill and its regulations, the review of the Minerals Policy and to align them to the African Mining Vision.
35. In order to bring services closer to the people, the Ministry intends to relocate 2 staff members from head office to the Swakopmund office, particularly to assist the public with geo-information as well as administration of the Minerals (Prospecting and Mining) Act, in-so-far as the applications and administration of mineral rights is concerned.
36. 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 a tender for the development of the strategy will be awarded in the near future.



**Picture of
a Haul
truck**

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

37. This programme involves conducting of geo-scientific research and management of data, with the objective of enhancing the understanding of the geological resources and their potential contribution to the socio-economic development.
38. The main priority of the programme for the 2018/19 Financial Year is to improve and enhance the knowledge and information in order to provide products that address the current geology related needs of the country.
39. The programme received **an amount of fifty-seven million, three hundred and fifteen thousand Namibia Dollars (N\$57,315,000).**

40. **An amount of thirty-six million, three hundred and fifteen thousand Namibia Dollars (N\$36,315,000)** is allocated towards operational budget. While the development budget under this programme is **twenty one million Namibia Dollars (N\$21,000,000)**.

41. Some of the projects that will be implemented during the Financial Year are as follow:
- Continue with the upgrade and expansion of our National Seismological Network in order to improve geohazards assessment and mapping;
 - Geophysical interpretation of the under-explored Kavango East, Kavango West and Zambezi regions will commence and is expected to end in 2019/2020; and
 - Geological mapping and Hyperspectral survey of the Kunene region is expected to start this financial year. Remote sensing techniques will be used to reduce the time and costs for geological maps production. Geological data sets from Kunene region are now in high demand to both the mineral exploration and mining industry.

PROGRAMME 3: PROTECTION OF NAMIBIA'S DIAMOND INDUSTRY

42. **Twelve million, seven hundred twenty-five thousand Namibia Dollars (N\$12,725,000)** 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.

43.

In ensuring that the diamond industry remains protected against illicit diamond activities, Namibia must remain in adherence 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. Alwendo Inaugurating the KGK Diamond Factory

PROGRAMME 4: ENERGY SUPPLY AND SECURITY

44. **Seventy-seven million, four hundred ninety-two thousand Namibia Dollars (N\$77,492,000)** is allocated to the programme to improve energy supply in the country. The following projects form part of the basket of projects to address energy supply, access to modern energy services and conservation:

- **Renewable Energy Power Supply Projects:** 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.
- **Rural Electrification Projects:** The rural electrification programme shall continue to be a priority for the Ministry in providing access and usage of modern energy services. 34 schools, 7 other government institutions and 29 households will be electrified country wide in 2018/2019 Financial Year with a budget of N\$50 million.
- **National Energy Fund:** The Ministry has created a new Directorate which is the Directorate of Energy Funds which consists of two funds namely; the National Energy Fund and the Solar Revolving Fund.

The Directorate received an allocation of **three million, two hundred and twenty nine Namibia Dollars (N\$3,229,000)** during the 2018/19 Financial Year, mainly for personnel expenditure to manage project funding and implementation.



Ruacana Waterfall

PROGRAMME 5: FACILITATE AND PROMOTE THE DEVELOPMENT OF PETROLEUM RESOURCES AND OIL & GAS

45. **An amount of twelve million, two hundred and fifty seven thousand Namibia Dollars (N\$ 12,257,000)** 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.

46. The upstream petroleum potential of Namibia will be promoted with the aim of attracting more investments in the exploration of oil and gas on the Namibian continental margin. For the purpose of ensuring that retail sites are run efficiently, a Dealer Margin Survey will be conducted country wide.
47. In an effort to ensure compliance to health safety and environmental requirements, inspection will be conducted on all petroleum infrastructures which include depots, service stations and consumer installation sites.
48. Another major project that will be executed this year is the phasing out of diesel 500ppm and replacing it with a much more cleaner and environmentally friendly diesel 10ppm.

PROGRAMME 6: POLICY CO-ORDINATION AND SUPPORT SERVICES

49. This programme caters for the provision of essential services to enable efficient operation for the entire Ministry.
50. An amount of **sixty-seven million, eight hundred and fifteen thousand Namibia Dollars (N\$67,815,000)** has been allocated to this programme. Of this amount, **sixty-one million, four hundred and fifteen thousand Namibia Dollars (N\$61,415,000)** is allocated towards operational budget.

While an amount of **six million, four-hundred thousand Namibia Dollars (N\$6,400,000)** is allocated towards development budget such as the upgrade of the deteriorating electrical network at the head office.

51. Finally, as I conclude the motivation of Vote 15, the Ministry of Mines and Energy wishes to acknowledge the very challenging prevailing economic conditions and competing priorities. We, however welcome the allocation as it will still enable the Ministry to contribute its fair share to the fiscus and national development.

52. On that note, allow me to extend my sincere appreciation to my Minister, Honourable Tom Alweendo, for his able leadership and guidance in the execution of our mandate. Equally, I wish to express my gratitude to our Permanent Secretary, 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.

53. Let me also take this opportunity to invite the Honourable Chairperson of the Whole House and the Honourable Members to visit mining sites and energy related projects, in particular the National Oil Storage Facility at Walvisbay.
In this regard and at your convenience, kindly propose suitable schedules for the Ministry to facilitate logistical arrangements.

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

54. I herewith submit the Budget for Vote 15, amounting to **two hundred and sixty four million, three hundred twenty-one thousand Namibia Dollars (N\$264,321,000)** 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

