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# Energy: Oil & Gas 2023

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**Namibia: Trends & Developments**  
Shakwa Nyambe and Shafimana Shimakeleni  
SNC Incorporated



## Trends and Developments

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### SNC Incorporated

**SNC Incorporated** is a full-service energy, natural resources, commercial, and dispute resolution law firm with offices in Windhoek. Equipped with international exposure and local knowledge of the laws in Namibia, Southern Africa, and the rest of Africa, it is uniquely placed to advise international corporations, private companies, governments, indigenous African companies, state-owned enterprises, and non-government organisations doing business in Namibia and the rest of Africa. SNC Inc's comprehensive experience as a law firm, combined with the prov-

en skills of its lawyers and consultants in key sectors, helps it to provide valuable legal and business advice to its clients. It also provides legal services in infrastructure, telecommunications, renewable energy projects, environment and climate change, legal and regulatory compliance, M&A, and labour advisory services. The firm helps companies doing business in Africa to grow, transform, and excel, providing clients with practical solutions to the legal and regulatory challenges facing their businesses, while maintaining the highest quality possible.

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## Bringing Namibia Into the Global Energy Spotlight

### *Introduction*

The Republic of Namibia was, until the offshore discoveries, a largely unexplored frontier. The recent offshore discoveries by TotalEnergies and Shell, as well as the confirmation of a working petroleum system onshore by ReconAfrica Energy Namibia, have placed Namibia in the limelight, with major international and medium-sized oil companies as well as oilfield service companies showing an increased interest to invest in Namibia.

### *Offshore discovery made by TotalEnergies and Partners*

On 24 February 2022, TotalEnergies, with a 40% working interest, alongside Qatar Energy (30%), Impact Oil and Gas (20%), and NAMCOR (10%), announced that they had made a significant discovery of light oil with associated gas on the Venus prospect (Venus-1X), located in block 2913B, Petroleum Exploration Licence (PEL) 56 in the Orange Basin, offshore southern Namibia. The Venus well was drilled to a total depth of 6,296m. It is reported that the Venus-1X well encountered approximately 84m of net oil play in a good quality lower cretaceous reservoir.

### *Offshore discovery made by Shell and Partners*

On 4 February 2022, Shell Namibia Upstream BV (Shell) with a 45% participating interest, Qatar Energy (45%), and NAMCOR (10%) in PEL 39, located offshore Namibia, announced that the Graff-1 deepwater exploration well had made a discovery of light oil in both primary and secondary targets. The well was drilled using the Valaris DS-10 drillship.

In April 2022, Shell and Partners made a second Orange Basin discovery in the La Rona-1 prospect in PEL 39, where the well confirmed hydrocarbon play at multiple levels.

Further, in March 2023, Shell and Partners safely and successfully concluded operations to drill a further exploration well – Jonker-1X – in PEL 39. The well established the presence of a reservoir with light oil.

### *Onshore confirmation of a working petroleum system – ReconAfrica*

On 15 April 2021, ReconAfrica and the Ministry of Mines and Energy released a joint statement regarding the first stratigraphic test well (6-2).

The results of the first well supported an active petroleum system with multiple source intervals.

On 15 August 2022, as per the press release, the 8-2 Makandina well confirmed the presence of a working petroleum system. This well encountered intervals rich with gas (methane) and hydrocarbon gas liquids (HGLs), specifically, Ethane, Butane, and Propane as well as smaller quantities of heavier hydrocarbons.

### *Upcoming drilling and appraisal activities in Namibia*

To date, the total number of wells drilled offshore Namibia is 31 of which 22 are exploration wells and nine are appraisal wells. It is further estimated that four more exploration wells are expected to be drilled, of which one is an appraisal well, during 2023. The number of wells drilled onshore to date is three and it is further estimated that three more wells will be drilled. The number of wells, both onshore and offshore, is expected to increase due to the ongoing drilling and appraisal activities.

### *TotalEnergies and Partners*

TotalEnergies and Partners commenced with the multi-well appraisal and exploration drilling programme during late February 2023 to appraise the Venus discovery and to investigate a potential westerly extension of Venus, the Nara prospect on Block 2912.

The drillship, Vantage Drilling's Tungsten Explorer, arrived in Walvis Bay on 19 February 2023 and was joined by Odfjell Drilling's Deepsea Mira semi-submersible which departed from Bergen, Norway, at the beginning of April 2023 and arrived in Namibia at the Venus-1X on 26 June 2023.

The first appraisal well of the Venus Discovery (Venus -1A) on Block 2913B (PEL 56) was drilled using the Tungsten Explorer Drillship. It has further been reported that the Deepsea Mira is preparing to re-enter Venus-1X in Block 2913B to run critical flow tests.

For PEL 91 Block 2912, it has been reported that exploration well Nara-1X will be drilled and flow tested by the Tungsten Explorer and, if successful, an appraisal well Nara-1A could then be drilled and flow tested.

### *Shell and Partners*

In late August 2022, Northern Ocean secured a contract for the Deepsea Bollsta semi-submersible rig with Shell. The semi-sub rig arrived in Namibia in late November 2022 to begin its contract with Shell. Shell successfully re-entered the Graff-1X well for appraisal and testing and completed a drill stem test on Graff-1. It has been reported during May 2023 that Shell had achieved extraordinary oil flow rates during production tests conducted on its Graff-1X well.

It is further reported that the Deepsea Bollsta has now spudded the Lesedi-1X probe, at a location about 20km north-west of Graff-1X and 14km north-east and that drilling is now going ahead on the Lesedi-1 probe.

On 25 May 2023, Northern Ocean revealed that Shell had exercised an extension option to prolong the contract for the Deepsea Bollsta semi-submersible rig. As a result, the firm term of the contract has been extended for six months – from December 2023 into June 2024 – while an additional option for a further six months is available.

## *Reconnaissance Energy Africa and Partners*

Following the successful completion of a two-year 2D seismic acquisition programme covering 2,767 line km, an Enhanced Full Tensor Gravity (eFTG) programme covering nearly 5,000km<sup>2</sup> and the drilling of three stratigraphic wells, ReconNamibia is now entering into the project's data processing, integration, and interpretation phase. With this more comprehensive sub-surface analysis and evaluation, the company is now focused on developing a prospect portfolio and planning a multi-well exploration drilling programme. ReconAfrica has applied for drilling permits for six Damara locations, which are subject to further refinement once final data processing, integration, and interpretation is completed.

## *Maurel & Prom and Partners*

Maurel & Prom (M&P) is the operator in PEL 44 and has an 85% interest; the other joint-venture partners are NAMCOR with an 8% interest, Livingstone Mining Resource Development with a 4% interest, and Frontier Mineral Resources with a 3% interest. In 2022, it was reported that M&P planned to start a potential five-well drilling campaign offshore Namibia in 2023. However, on 4 August 2023, M&P announced that it did not receive any offers from companies invited to examine technical data on its assets and therefore decided not to apply to enter the next exploration phase. PEL 44 and PEL 45 both expired on 15 June 2023, and this marks the end of M&P's operations in Namibia.

## *Galp Energia and Partners*

Galp, as the operator, holds an 80% working interest in PEL 83, with state-owned NAMCOR and local partner Custos Energy each holding 10% stakes. Galp Energia conducted a 3D seismic campaign in PEL 83, comprising an area of

around 3,000km<sup>2</sup> in Namibia's deepwater offshore, in early 2019.

Galp Energia is now forging ahead with a two-well exploration drilling campaign this year on its block in PEL 83. It has been reported that Galp Energia has signed a contract with SFL Corporation for the semi-submersible rig, Hercules, to start the two-well exploration campaign in the fourth quarter of this year. The duration of the contract is approximately 115 days including mobilisation to Namibia.

## *Major oil companies with activities in Namibia*

Namibia has four key offshore sedimentary basins – the Namibe Basin, the Walvis Basin, the Lüderitz Basin, and the Orange Basin. Namibia's geology is said to be similar to Brazil's offshore pre-salt, while its onshore is similar to the massive South African Karoo Basin. Coupled with its stable fiscal and legal regime, the new discoveries have resulted in a number of major oil companies acquiring acreage and others cementing their position in Namibia.

In 2019, ExxonMobil expanded its exploration acreage in Namibia by adding another seven million net acres (28,000km<sup>2</sup>) to its offshore holdings, with water depths reaching 4,000m, following the signing of an agreement between the government and NAMCOR for Blocks 1710 and 1810 under PEL 95, and farm-in agreements with NAMCOR for Blocks 1711 (PEL 89) and 1811A (PEL 86).

ExxonMobil is the operator of Blocks 1710 and 1810 (PEL 95) and holds a 90% interest, while NAMCOR holds a 10% interest. ExxonMobil is also the operator of Block 1711 (PEL 89), and holds an 85% interest, while NAMCOR holds the remaining 15% interest.

US major Chevron acquired a significant stake in PEL 90, Block 2813B, offshore Namibia in October 2022. Sintana Energy revealed that Trago Energy, a Namibian affiliate of the company, had completed a transaction with Chevron in respect of its interest in PEL 90 located in the Orange Basin. The licence covers 5,433km<sup>2</sup>, in water depths between 2,300m and 3,300m. Trago will retain a 10% interest in PEL 90. Chevron will carry Trago through initial exploration activities including 3D seismic and drilling of the first exploration well. PEL 90 represents one of the most exciting exploration opportunities in the Orange Basin sitting directly above TotalEnergies' Venus-1 oil discovery.

In March 2023, global energy company Woodside Energy announced that it had negotiated an exclusive option with oil and gas exploration company Pancontinental Energy, to acquire a 56% participating interest in PEL 87, Block 2713, offshore Namibia. The agreement will offer Woodside Energy the option to acquire the participating interest depending on the 3D Seismic results. Should Woodside Energy proceed with the farm-in, it will pay the full cost of the 3D shoot – which was priced at USD35 million – and the total cost of the first exploration well.

In May 2023 it was announced that Woodside Energy will soon start a detailed examination of data from the just-completed seismic survey before a decision is made. Woodside Energy will have a period of 180 days following the delivery of the seismic survey data to exercise the option.

### *Kudu Gas Field*

The only commercial discovery in Namibia to date is the Kudu Gas Field, which was discovered in 1974 by a joint venture, comprising Chevron Oil, Regent Petroleum, and SOEKOR (Pty) Ltd. It lies approximately 170km west of Oranjemund in

offshore Namibia, at a water depth of 170m. The field's proven natural gas reserves are estimated at 1.3 trillion cubic feet and its possible reserves at nine trillion cubic feet.

### *Initial development plans*

The initial development plan for the field was a gas-to-power project including Namibia Power Corporation (NAMPOWER) as the downstream partner. However, the initial plan failed due to the non-fulfilment of some conditions in the project development plan (PDA). In terms of the project schedule set out in the annexures of the PDA, the government was supposed to provide the required project support, including economic stabilisation provisions and financial guarantees, which it failed to do.

In November 2018 and January 2019, the government made it clear that it was not going to provide the required support in terms of the PDA. As a result, the downstream partner, NAMPOWER, indicated that it would withdraw from the PDA.

### *Current development plans*

BW Energy took control of the licence when it signed an agreement with NAMCOR increasing BW Energy's interest to 95% in the licence in 2021. NAMCOR has an option to increase its interest after field start-up.

During the Namibia International Energy Conference, BW Kudu highlighted that it had revised its development plan for the gas-to-power project. The revised integrated development plan aims to supply competitive power in a phased approach to a growing African market.

The proposed plan centres on three subsea wells feeding production to a floating production facility (FPF) that will extract condensate, leaving

the gas to be exported 195km to a nearshore power plant in a two-phased approach.

Phase 1 of the revised proposed development is due onstream in 2026 and is earmarked to feed a new 420-megawatt barge-based power plant south of Lüderitz town. It is, however, important to note that the final location of the power plant is still to be finalised which will either be barge mounted in the Elizabeth Bay or onshore facility east of the town of Lüderitz.

Further, in light of the recent discoveries, BW Kudu agreed to acquire about 4,600 km<sup>2</sup> of 3D seismic data across all of Production Licence 003. It has been reported that the 3D data would “further enhance the depositional model” in the Kudu licence and identify potential exploration targets.

BW Kudu will soon commence with the Environmental and Social Impact Assessment and regulatory approval process. The proposed Kudu gas project is of significant importance to Namibia, especially in addressing Namibia’s energy security and addressing energy poverty in the country. It has been reported that the Kudu gas field could provide baseload power to Namibia. Namibia relies on unpredictable hydroelectric plants backed by South African imports for domestic electricity needs and there are expectations that the Kudu Gas development project could mitigate the energy crises in Namibia and Southern Africa.

### *Walvis Bay oil storage facility*

In 2015 the government commissioned the construction of a national oil storage facility and a maritime platform for fuel offloading at the port of Walvis Bay, Namibia.

In October 2018, the Namibian Cabinet gave NAMCOR approval to be the operator of the facility on behalf of the government, while the Namibia Ports Authority (NAMPORT) was authorised to be the operator of the offshore marine elements of the facility. The Cabinet directed the Ministry of Mines and Energy to enter into agreements with NAMCOR and NAMPORT to regulate the operations and the sharing of the facility.

The oil storage facility has three main components: the Jetty (offloading facility), a 6.5km pipeline, and the Tank Farm. The storage facility is equipped to store various grades of diesel, ULP, HFO, and jet fuel. However, at this stage, only ULP and diesel are being stored. The facility has three diesel tanks, one with a capacity of five million litres and two with a capacity of 20 million litres, two ten-million-litre tanks for ULP, one five-million-litre tank for HFO, and one five-million-litre tank for jet fuel.

The newly constructed jetty allows vessels to offload or load products for export onto the vessels. Offloaded fuel products will be transported from tanker ships to the storage tanks via the pipeline. The facility has a total storage capacity of 75 million litres of fuel.

The storage facility will not only be used for NAMCOR’s own trading purposes, but also to host other international oil marketing companies including Vitol, Gunvor, Vivo, and Total. This will ensure that it is utilised optimally and that Namibia becomes a strategic gateway through which neighbouring African countries are supplied.

### *Intended reforms to the petroleum legal regime*

In 2017, the Ministry of Mines and Energy commenced an exercise to reform Namibia’s down-

stream and upstream petroleum legal framework through the Commonwealth Secretariat's Oceans and Natural Resources Advisory Division (ONR), with the assistance of some private consultants.

### *Upstream legal framework*

The intended reform of the upstream legal framework is still ongoing. The Petroleum (Exploration & Production) Act of 1991 will be amended to consolidate all current amendments into a single document. The Petroleum Taxation Act of 1991 will also be amended. There is an additional draft subsidiary legislation to be prescribed under the Petroleum (Exploration & Production) Act of 1991. The current Model Petroleum Agreement implemented in 2007 will also be amended, and a local content legal framework is being mooted which will briefly be addressed below.

The intended reform will also look at clarification of the regime for the governance of environmental matters for petroleum operations and the possible preparation of draft subsidiary environmental legislation for the upstream sector. The pertinent intended amendments include the following:

- a review of current annual charges for exploration and production licences to track an inflationary measure;
- drafting and finalisation of the Local Content Policy and Regulations;
- a review of the current royalty rate to make it more consistent with other frontier petroleum jurisdictions;
- a review of the current formula for Additional Profit Tax;
- the rate of Petroleum Income Tax is to be prescribed in regulations rather than within the main body of the Petroleum Taxation Act of 1991;

- the details regarding state participation in petroleum operations are to be enhanced;
- a review of the provisions on decommissioning;
- a provision for unitisation and cross-border co-operation; and
- clarification of the ownership of petroleum data and information obtained from licence areas.

### *Local content provisions and the local content policy*

There has always been statutory recognition of the imperatives for local content requirements within the sector. This much is evident in the Petroleum (Exploitation & Production) Act 2 of 1991 as well as the operational Namibian Model Petroleum Agreement. The relevant provisions and clauses make it mandatory for licence holders to comply with local content provisions in the Petroleum Act and the Model Petroleum Agreement. Furthermore, by extension, contractors/service providers are also bound by the local content provisions.

In addition to the statutory recognition, the Ministry of Mines and Energy is presently drafting and finalising a comprehensive Local Content Policy to maximise the benefits to be gained from petroleum and other industries. The Ministry of Mines and Energy has circulated a draft National Upstream Petroleum Local Content Policy formulated in 2021, whose mission is stated as follows:

*“...to maximize the benefits to Namibian citizens from petroleum resources through the enhancement and development of strategies that will target phased participation of Namibian companies, labour, goods, and services, along the value chain.”*



The draft National Upstream Petroleum Local Content Policy is currently undergoing an extensive country-wide consultative process and is yet to undergo cabinet approval for finalisation. During late March 2023 and early April 2023, the Ministry of Mines and Energy held an inter-government engagement on the local content framework. During May 2023, the government held a National Workshop on Local Content Policy with interested stakeholders.

### *Downstream legal framework*

The intended reform of the downstream legal framework is still ongoing. The Petroleum Products and Energy Act of 1990 will be amended to consolidate all current amendments into a single document. The Petroleum Products Regulations will also be amended, and existing amendments will be consolidated.

The Ministry of Mines and Energy has held consultations with stakeholders from the petroleum industry regarding the intended reforms. Both the upstream and downstream stakeholders/industry players have submitted inputs for consideration. The intended reforms to the petroleum legal regime have not yet been completed.

### *Establishment of a sovereign wealth fund*

The sovereign wealth fund for Namibia (The Welwitschia Fund) was launched on 12 May 2022. The ownership of the Fund is vested in the government, with the Minister of Finance as the trustee acting on behalf of all the citizens of Namibia. The Bank of Namibia will be the Fund's primary custodian, responsible for its administrative function.

A total of NAD300 million, consisting of direct seed capital from the government and a contribution from the dividends declared by the bank, has been injected into the Welwitschia Fund.

The State-owned Fund will consist of two separate accounts. The first is the liquid stabilisation account that will be used to counteract the effects of negative macroeconomic shocks and protect the foreign reserve position. The second is a longer-term intergenerational savings account.

The need for a sovereign wealth fund was identified in the National Energy Policy of 2017. The President of Namibia, Dr Hage G. Geingob, further highlighted that the prospects and opportunities that will emanate from the recent discoveries of oil and green hydrogen energy have the potential to further boost the fund's capital. Current Assets for the Welwitschia Fund are valued at NAD301,359,000.00.

### *Conclusion*

Namibia has had an Open-Door Licensing System since 1999. Under this system, oil and gas exploration and production rights are, upon application, awarded following negotiations between the government of the Republic of Namibia and interested investors, through unsolicited expression of interest.

To date, 31 Petroleum Exploration Licences, one Reconnaissance Licence, and one Production Licence have been issued by the Ministry of Mines and Energy. Three major oil discoveries have been made offshore Namibia by Shell and Total, while Reconnaissance Energy Namibia successfully drilled three stratigraphic wells onshore in an unexplored basin, the results of which identified a working petroleum system.

It has further been reported that the London listed junior, Tower Resources, has identified intriguing structures on blocks in the Walvis Basin that it hopes could host billions of barrels of oil. In addition, further seismic activities are

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to kick off later this year in the sparsely drilled Lüderitz and Walvis Basins. Searcher Seismic plans to acquire both multi-client and proprietary 2D and 3D data across no less than 25 blocks or part-blocks in the Lüderitz and Walvis Basins.

Major oil companies like Chevron have acquired significant stakes in exploration licences while others like Woodside Energy have shown an interest offshore Namibia. With the increasing development of the oil and gas sector in Namibia, the role of oilfield service companies will further become predominant in Namibia. Namibia invites major international and medium-sized oil companies, as well as oilfield service companies, to increase their footprints in the industry provided that they comply with all applicable laws and local content requirements.

According to the Minister of Mines and Energy, the Honourable Tom Alweendo, Namibia's policy is clear. Namibia embraces all forms of energy, and Namibia's intention is to harness fossil fuel resources, including natural gas for Namibia's domestic, regional, and continental needs. Namibia is well-positioned to attract additional investment and development across the oil and gas value chain. These are indeed exciting times for Namibia's oil and gas industry.

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