NAMIBIA

Oil & Gas

THOUGHT LEADERSHIP

Leading adviser and partner

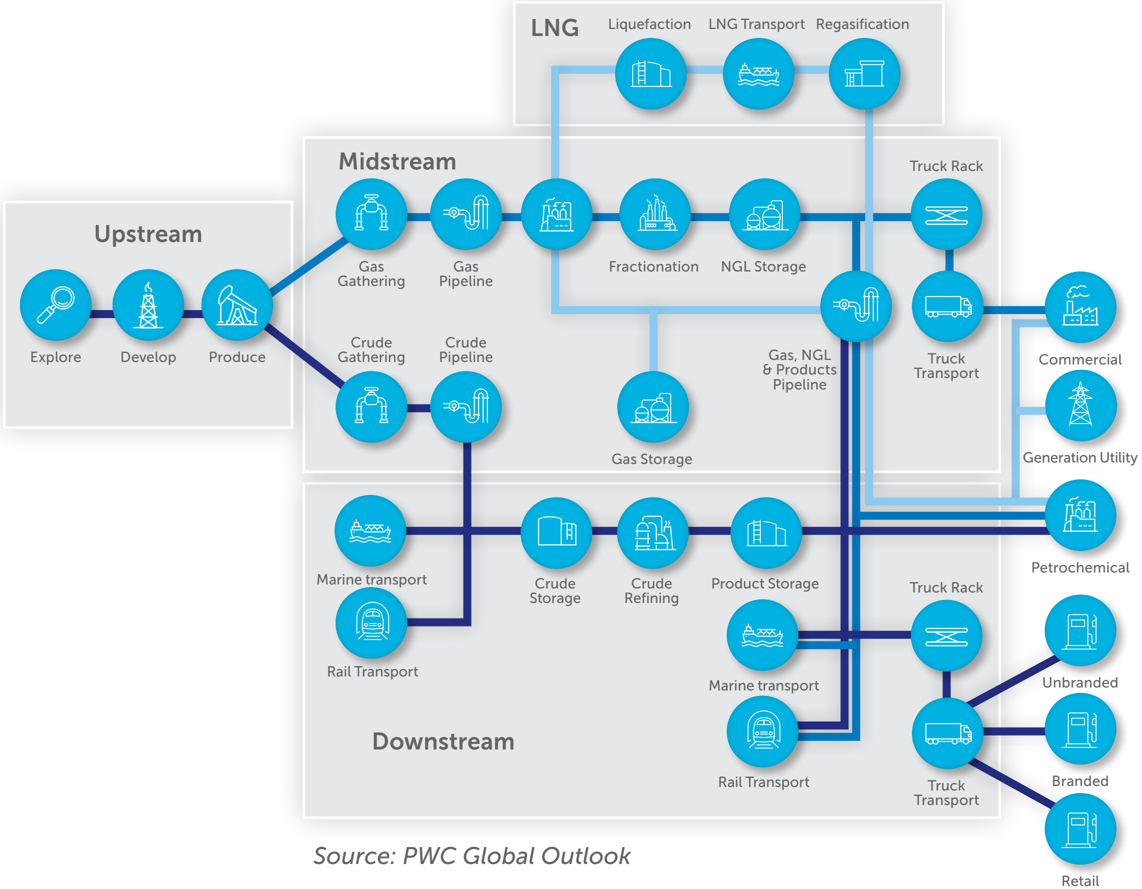
Cliffe Dekker Hofmeyr's Oil and Gas Sector is the legal partner of choice on your oil and gas projects across the value chain. We have unique and substantial legal expertise in the upstream, midstream and downstream sectors and advise major independent oil companies, national oil companies, service providers and regulatory authorities in multiple jurisdictions, including Namibia.

Our team has a thorough understanding of the geographic and geopolitical factors that shape and impact the oil and gas industry and offers valuable commercial insight to clients embarking on oil and gas projects, in both developed and emerging markets, worldwide. Our breadth of experience, acting for clients in both the public and private sectors, means we have a comprehensive approach to structuring transactions to address the complex economic and political goals of participants in this sector. Our lawyers combine intricate knowledge of the oil and gas sector with your unique business realities to achieve your desired results. By choosing our Oil and Gas Team as trusted advisers, clients gain access to practical transactional and project advice, advanced contract engineering and seasoned contract negotiators.

The discovery of offshore hydrocarbon deposits in the Orange Basin has positioned Namibia's economy for significant growth.

Namibia's Oil and Gas Sector: The Rapid Boom

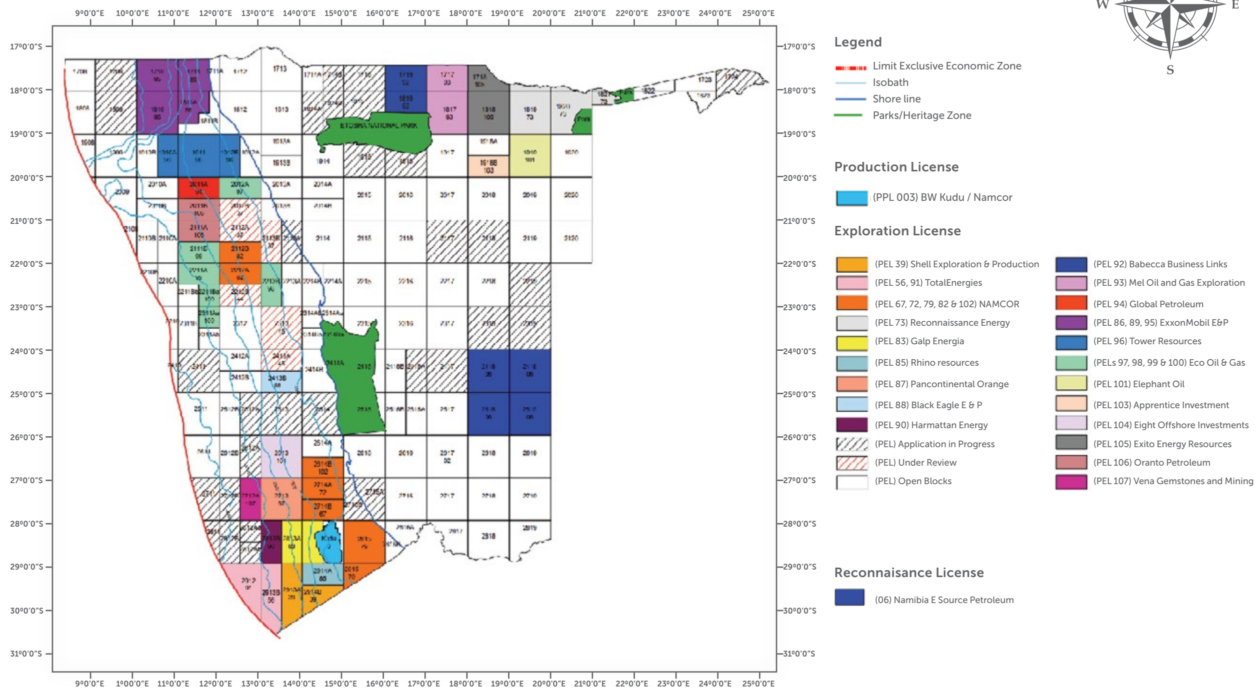
The Oil and Gas sector is made up of three market segments, upstream, midstream and downstream. Energy companies in the upstream market aim to identify prospects and ultimately drill exploration wells in order to discover and commercially produce oil or gas. The midstream market links the upstream and downstream market and entails the development of processing, storage, transportation and distribution facilities oil and gas produced by upstream energy companies. There are a few overlaps between the midstream and the downstream markets, but the downstream market while it may engage in oil refining, predominately engages in activities such as petroleum products distributors, retail to end consumers and natural gas distribution.



Source: PWC Global Outlook

Namibia's recent oil and gas discoveries mark a transformational shift in the country's economic landscape, energy security, and global investment potential.

HYDROCARBON LICENSE MAP



Ministry of Mines & Energy

NAMCOR

For further information
www.mme.gov.za
www.namcor.com.na
Updated: 13 March 2024

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Source:
Data from Ministry of Mines and Energy as at 13 March 2024

The Upstream Market

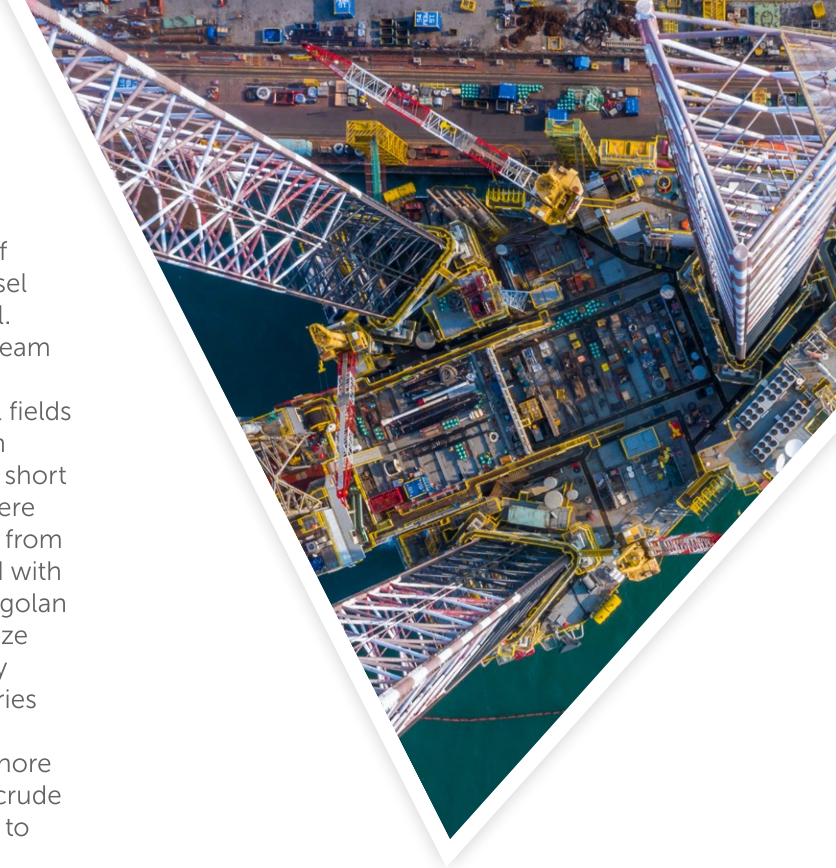
Namibia has been the global focus of energy giants following the play-opening Venus and Graaf discoveries in the Orange Basin in 2022. The subsequent Mopane discovery in mid-2023 and the announcement in early 2025 that the Sagittarius well in the Orange Basin had encountered a hydrocarbon-bearing reservoir have solidified Namibia's status as a major hydrocarbon frontier. Statistics indicate that of the twelve exploration wells drilled in the basin, nine wells were declared oil discoveries and only three dry holes. Indicating an unprecedented success rate of 75% on a worldwide scale. These developments position Namibia as one of Africa's most promising new energy frontiers, with far-reaching implications for economic growth, job creation, and long-term industry sustainability.

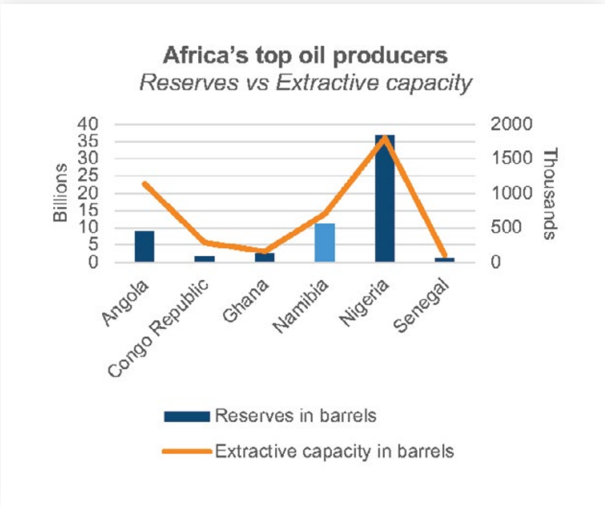
While the discoveries indicate that there is no shortage of hydrocarbon volume in Orange Basin Namibia, some energy companies have encountered a complex subsurface with a high gas to oil ratio. In explaining that its oil discovery in the Orange Basin Namibia cannot be confirmed for commercial development at this point, Shell clarified that its $400 million impairment stems from challenges in finding an immediately viable commercial pathway to monetize the resource. Shell's CEO explained that while there is no shortage of hydrocarbon volume the commercial producibility and mobility of these molecules required more analytical work. Shell also stated they are continuing to explore potential commercial pathways to development. Without any interruption or delay, other projects in the basin have continued with great speed and determination. With exploration continuing to prove up resources government aims to see a final investment decision in 2025, with the first oil targeted for 2029.

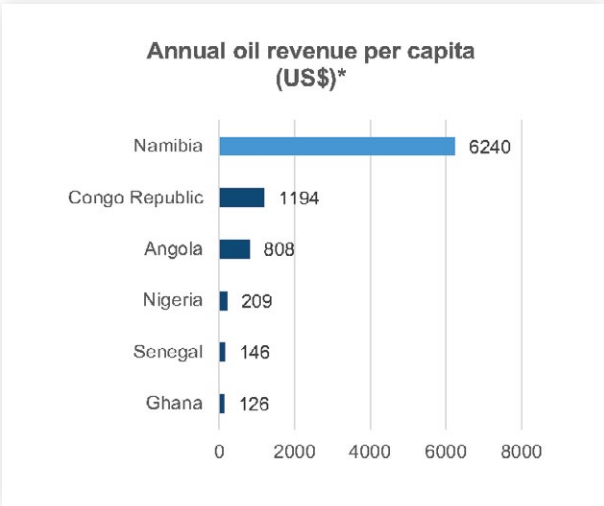
Energy Independence and Industrial Development

While upstream is the main focus there are auxiliary industries in tow. Capital inflows are accelerating, and activity across multiple asset classes is expected to intensify as the country heads toward its 2029 first oil target date. In addition to the rush for offshore exploration stakes, investments are also flowing into parallel industries, from coastal properties to local equities and government bonds. This anticipatory atmosphere has spurred local planners to revitalize port, rail, and air cargo infrastructure to meet the growing logistics demands of the offshore.

The Namibian downstream sector is a N$20 billion-a-year revenue industry. Namibia currently imports nearly all its refined petroleum products, making the country vulnerable to price fluctuations and supply chain disruptions. It has no crude oil reserves or refinery. All refined fuel requirements are met by imports, predominately from the Middle East, Europe and Singapore. The domestic market is oligopolistic. It is regulated by the Ministry of Mines and Energy and prices of petrol and diesel are regulated at both retail and wholesale level. How will the oil production change the midstream and downstream sectors? The successful commercialisation of offshore and onshore oil fields could reduce import dependency and position Namibia as an energy-exporting nation. In the short term there will little to no impact. However, there will be a new form of revenue for government from the collection of royalties and taxes associated with in country oil production and similar to the Angolan model this revenue could be utilised to subsidize local pump prices through the National Energy Fund. In the medium to long term the discoveries may spur diversification, industrialisation and investment into key infrastructure such as offshore pipelines, onshore crude oil storage facilities, crude oil refineries, petrochemical refineries and gas to power and/or gas to liquid plants.







The comparatively small size of Namibia's population compared to its estimated reserves means that the average citizen stands to gain far more in downstream benefits compared to other, more populous African countries.

**Figures based on internal calculations*

Sources: African Energy Chamber, Nigerian Upstream Regulatory Commission, Savanah Energy, OPEC, The Energy Year, Reuters; 2022-2024

Commercialisation of Gas

Regulations are also set to impact the commercialization of Namibia's offshore oil fields in less direct ways. Recent analysis has shown that the offshore fields in the Orange Basin have a high gas-to-oil ratio. While this doesn't make oil exploitation impossible, it does require the gas to either be separated and discarded (through flaring or re-injection) or used as a standalone product. Strict anti-flaring regulations and a lack of onshore gas handling infrastructure leave companies in a difficult position. The government aims to resolve this by commercializing the gas for energy and industrial applications, but it remains uncertain whether sufficient investment can be attracted to make this strategy viable. Should this fail, success may depend on companies' ability to navigate the complex intersection of financial feasibility and environmental best practices.

Presidential Control Over Oil and Gas

On 22 March 2025 President Nandi-Ndaitwah placed the oil and gas industry directly under the Office of the President. This strategic decision is aimed at ensuring that the development of oil and gas resources aligns closely with national interests and promotes transparency at the highest level of governance. By assuming direct oversight of the industry, the President seeks to safeguard national wealth and ensure that the benefits which flow from oil and gas resources reaches the masses but at date hereof there remains a number of key areas requiring clarification.

Currently the Petroleum Affairs Directorate of Namibia play a pivotal role in the day to day management of the upstream, midstream and downstream oil and gas sectors. This directorate plays a central role in overseeing regulatory functions such as issuing licenses, monitoring compliance and managing petroleum data under the Petroleum Act.

An evolving legal landscape and significant recent developments

The presence of major energy players underscores Namibia's attractiveness as a stable and resource-rich destination for energy investment. Compared to other oil-producing African nations, Namibia has to date offered political stability, a favourable investment climate, and competitive fiscal policies, making it a lower-risk option for energy companies and investors. That said, immense hydrocarbon potential is often accompanied by an evolving regulatory landscape as well as a complex deal making landscape. As such, well-informed legal counsel will be essential for companies looking to navigate the country's evolving oil and gas sector.

The Local Content Drive

Amid an unemployment crisis, President Netumbo Nandi-Ndaitwah has pledged to address high unemployment rates. In November 2021 the then Minister of Mines and Energy introduced the National Upstream Petroleum Local Content Policy (Local Content Policy) that requires companies to prioritize the hiring and training of local staff and the use of Namibian suppliers. It is anticipated that the Local Content Policy will become one of the main key focus areas for the President in the upcoming months.

The Local Content Policy aims to provide a framework for maximizing the benefits to Namibian citizens from petroleum resources through the enhancement and development of strategies that will target phased participation of Namibian labour, goods and services, company ownership and financing along the value chain. The objectives of the Local Content Policy are stated as follows:

1. Establishing a clear regulatory and institutional framework for local content.
2. Identifying and prioritizing specific goods and services for local capacity development.
3. Maximizing training, upskilling, and employment of Namibians.
4. Enhancing the participation and development of local suppliers throughout the value chain.
5. Stimulating innovation, research, and development.
6. Ensuring the transfer of technology, knowledge, and skills.
7. Creating opportunities for meaningful Namibian participation and financing at all levels of the sector.

In line with objective one the relevant aspects of the Local Content Policy will be incorporated into the revised Petroleum (E&P) Act and Model Petroleum Agreement while the promulgation of a newly revised regulatory framework remains pending.

The key regulatory requirements companies must adhere to include:

- **Local Content:** Interested bidders must submit local content plans to obtain exploration and production licenses.
- **Employment:** With unemployment a national priority, laws mandate that companies prioritize hiring local workers.
- **Training and Skills Development:** Given that Namibia's offshore hydrocarbons sector is still in its early stages, authorities expect foreign bidders to contribute to local skills development.
- **Local Procurement:** Companies must develop strategies to source goods and services locally wherever possible as part of their local content plans.
- **Taxes and Royalty Augmentations:** While these have yet to be officially confirmed, reports suggest that local authorities intend to increase taxes and royalties for oil and gas operations, in line with recent changes in the mining sector.

Revisions to the Petroleum (E&P) Act and Regulations

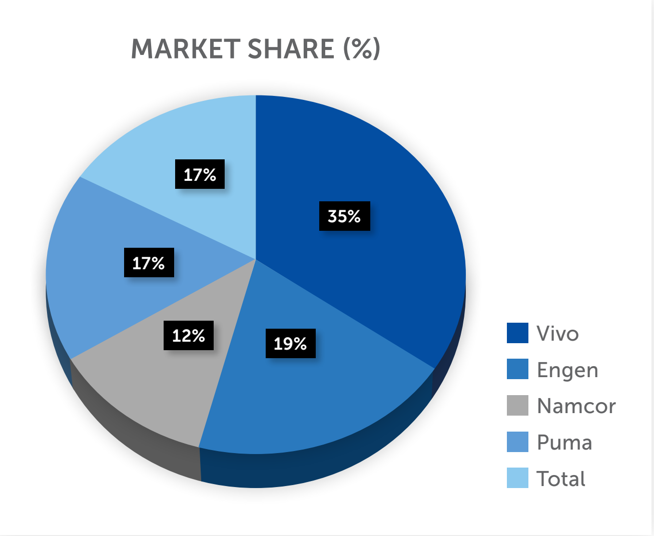
The Petroleum (E&P) Act and Regulations is currently under review to align to the country's societal needs and legal standards as well as to ensure it remains relevant and effective especially following the recent oil discoveries.

Based on the State of Nation Address 2025 delivered by President on 24 April 2025 the revisions to the Act will now include amendments aimed at giving effect to Presidential oversight over the oil and gas sector.

The Midstream and Downstream Market

The midstream market, similar to the upstream market, is volume driven because it is driven by the cost of transportation and development of infrastructure. Whereas the downstream market is a margin based, and an end-user consumption based market. In both the midstream and downstream market. In a crude oil scenario factors which influence this market is made up of (i) the producer margin which is made up of the prevailing crude oil price less cost of production, (ii) the traders margin which is made up of the dated Platts Price on delivery less cost FOB plus freight and insurances plus the time value of money (ii) the refinery margin is made up of the dated Platts Price of refined product less cost FOB plus freight and insurances plus refining costs plus the time value of money. Ultimately in the upstream, midstream and downstream markets a global perspective necessary as global supply and demand determine product prices.

Namibia has no crude oil refining capacity or gas to power or liquids facilities or associated infrastructure. Accordingly, the midstream market is underdeveloped because Namibia currently imports refined products. All refined fuel and gas requirements are met by imports, predominantly from Middle East, Europe and Singapore. The downstream market in Namibia is N$20 billion-a-year revenue industry and comprises of trading, storing, distribution, wholesale and retail marketing of refined petroleum products. The market is regulated by the Ministry of Mines and Energy and all market participants are licensed and prices of petrol and diesel are regulated. The industry is oligopolistic in nature.



Source: Data from Ministry of Mines and Energy as at March 2024

The potential to unlock energy independence, energy security and new opportunities in the midstream and downstream sectors through the upstream sector.

The Legislative and Licensing Framework

The industry is regulated by the Ministry of Mines and Energy through the following legislations:

- Energy Policy of 2017
- Petroleum Products and Energy Act of 1990 (Amended in 2000 and 2003)
- Petroleum Products Regulations of 2000 (Amended in 2021)

Types of Licensing

- Wholesale License (Import, Export, Store, Distribute, Re-sell)
- Retail License (Service Station)
- Consumer Installation Certificate (Own use)

Wholesalers cannot operate service stations as vertical integration is prohibited by law. They need to develop a large fuel retail network to sell fuel to. They buy from the international market below/on par with the regulated price (BFP) and sell to retail network at a full regulated margin. They sell to commercial businesses and export clients. Most revenues in the wholesaler space is generated from rental and franchise fees derived from the retail network.

Retailers retail to end consumers through the operation of service stations. There are various forecourt models such as dealer owned dealer operated sites, company owned dealer operated sites, company leased dealer operated site. The various commercial terms under these models vary from model to model i.e charging of franchise fees, forecourt fees, rebates offerings etc. Ultimately location determines traffic flow and then importantly volumes. The price at which retailers purchase fuel and resell fuel is regulated together with the retail margin.

Pricing and Product Specifications

Prices of diesel and petrol are regulated at both the retail and wholesale level and the Basic Fuel Price (BFP) Model is used. BFP is a cost-recovery and import parity model which is based on deemed cost of sourcing product from international refineries, insuring it against all losses and shipping it to Walvis Bay. Pricing comprises of all cost elements involved in the supply chain until the product is in the tanks in Walvis Bay. Such elements include (i) FOB (refined oil price), (ii) freight, insurance and ocean losses, (iii) US$/N$ exchange rate (iv) demurrage and (v) cargo dues. Added to this is rail and road transport if applicable, statutory levies and taxes, industry and retail margins to determine inland pump prices.

There are also gazetted specifications for unleaded petrol 95 (ULP), automotive Diesel Oil 50 PPM (ADO 50) and ultra-low sulphur diesel 10 PPM (ULSD 10 PPM).

What will the impact of the upstream boom in Namibia be on the midstream and downstream sectors?

In the short term based on production well to barge/crude oil tanker offshore operations, Government will generate revenue from royalties and taxes under the current upstream legal regime. Revenue from crude oil could subsidize local pump prices through the National Energy Fund. In the medium to long term offshore pipeline, onshore crude oil storage facilities and refineries may become viable options depending upon volumes and regional offtakers. Such infrastructure will require significant investment, and local volumes are relatively small to justify investment therefore regional offtakers would be critical. Domestic production of oil combined with a domestic refinery and the possibility of gas to power or gas to liquids infrastructure have only become options for Namibia because the upstream market has unlocked these as potentials, but ultimately these ambitions remain subject to the volumes game, the development challenges associated with extraction and of course the support of Governments.

MARKET RECOGNITION

Our Oil & Gas and Projects & Energy team is externally praised for its depth of resources, capabilities and experience.

Cliffe Dekker Hofmeyr was shortlisted for the *IFLR Africa Awards 2025* for 'Team of the Year | Regional' for Energy.

Chambers Global 2022–2025 ranked our Projects & Energy sector in Band 4 for projects & energy. *Chambers Global 2017–2021* ranked our Projects & Energy sector in Band 3 for projects & energy.

The Legal 500 EMEA 2009–2025 recommended us in Tier 2 for projects & infrastructure.

IFLR1000 2017–2023 ranked our practice in Tier 2 for project finance. *IFLR1000 2019–2021* ranked our project development: oil and gas team in Tier 3.

IFLR1000 2024 ranked our practice in Tier 2 in project development: energy and infrastructure and in Tier 1 in *2023*.

The way we support and interact with our clients attracts significant external recognition.

Megan Rodgers is the Head of our Oil & Gas sector, and a director in our Corporate & Commercial practice. *Chambers Global 2025* ranked Megan in Band 4 for projects & energy. *Chambers Global 2024–2025* ranked Megan in the Namibia General Business Law category as 'Foreign Expertise Based in South Africa Spotlight'. *The Legal 500 EMEA 2017–2025* recommended her for projects & infrastructure. Megan was named one of *IFLR1000 2021–2024* Women Leaders – the elite cohort of the leading female experts in local markets globally. *IFLR1000 2020–2024* ranked Megan as highly regarded for project development: oil and gas.

Sammy Ndolo is the Kenya Managing Partner. *Chambers Global 2025* ranked Sammy Ndolo in Band 3 for Fintech. *Chambers Global 2021–2025* ranked Sammy in Band 4 for corporate/M&A. *Chambers Global 2025* ranked him in Band 3 for banking & finance and in Band 4 from *2023–2024. The Legal 500 EMEA 2024–2025* recommended Sammy as a 'Leading Individual' for banking, finance & capital markets. *The Legal 500 EMEA 2022–2023* recommended him for banking, finance & capital markets *The Legal 500 EMEA 2023–2025* also recommended Sammy for corporate, commercial/M&A. *IFLR1000 2021–2024* ranked him as a 'Notable Practitioner'.

The Legal 500 EMEA 2018, 2020–2025 recommended Timothy Baker for construction.

Jackwell Feris is Head of our Industrials, Trade & Manufacturing sector, and a director in our Dispute Resolution practice. *Chambers Global 2023–2025* ranked him as an 'Up & Coming' dispute resolution lawyer. *The Legal 500 EMEA 2022–2025* recommended Jackwell for dispute resolution. *The Legal 500 EMEA 2025* recommended him for projects & infrastructure. The *Association of Young Arbitrators* recognised Jackwell as an expert arbitration practitioner.

Rishaban Moodley is the Practice Head of our Dispute Resolution team and Head of our Gambling & Regulatory Compliance sector. *The Legal 500 EMEA 2016–2025* recommended Rishaban for dispute resolution.

Andrew van Niekerk is the Head of our Projects & Energy sector, and a director in our Corporate & Commercial practice. *Chambers Global 2024–2025* ranked him in Band 3 for construction. *Chambers Global 2022–2023* ranked Andrew in Band 2 for construction. *Chambers Global 2013–2021* ranked him as a leading lawyer for construction. *The Legal 500 EMEA 2013–2025* recommended him as a 'Leading Individual' for construction. In addition the *Legal 500 EMEA 2022–2025* recommended him for projects & infrastructure. *IFLR1000 2024* ranked Andrew as highly regarded in banking, project development and project finance, and also in energy and infrastructure, transport and mining from *2021–2023*.

Susan Meyer is the Joint Head of our Healthcare & Pharmaceuticals sector, and a director in our Competition Law practice. *The Legal 500 EMEA 2021–2025* recommended Susan for competition. *IFLR1000 2018–2024* recommended her as a 'Notable Practitioner'.

Chambers Global 2025 ranked Ngeri Wagacha in Band 2 for Fintech, and in Band 3 in *2024*. *Chambers 2025* ranked her in Band 4 for corporate/M&A. *The Legal 500 EMEA 2022–2025* recommended Njeri for employment. *The Legal 500 EMEA 2023–2025* recommends her for corporate, commercial/M&A. *IFLR1000 2024* ranked Njeri as a highly regarded lawyer in Private equity, and M&A. Njeri was shortlisted for the *PSG Capital Individual DealMaker of the Year 2024 (East Africa).*

The Legal 500 EMEA 2024–2025 recommended Amore Carstens for projects & infrastructure.

Chambers TOP RANKED Global 2025 Cliffe Dekker Hofmeyr

Band 4
Projects & Energy

Cliffe Dekker Hofmeyr Legal500 2025

TIER 2
Projects & Infrastructure

IFLR 1000 2024

Cliffe Dekker Hofmeyr

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BBBEE STATUS: LEVEL ONE CONTRIBUTOR
Our BBBEE verification is one of several components of our transformation strategy and we continue to seek ways of improving it in a meaningful manner.

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This information is published for general information purposes and is not intended to constitute legal advice. Specialist legal advice should always be sought in relation to any particular situation. Cliffe Dekker Hofmeyr will accept no responsibility for any actions taken or not taken on the basis of this publication.

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