

## AFRICA RISK CONSULTING

### Namibia Monthly Briefing April 2024

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#### Namibia Summary 17 April 2024

*Media reports on 15 April that the Organization of the Petroleum Exporting Countries+ (OPEC+) is considering membership for Namibia. The German government confirms plans to designate the ambitious Hyphen green hydrogen project in Namibia as strategically important. Mines and energy minister Tom Alweendo says on 12 April that government is exploring the possibility of introducing nuclear energy as an additional power source. Namibia Statistics Agency (NSA) reports on 10 April that annual inflation declined from 5% in February to 4.5% in March 2024. The Bank of Namibia (BoN) (central bank) says in its latest forecast economic forecast on 11 April that Namibia's economy is facing a slowdown this year, primarily due to challenges in the mining industry and adverse weather.*

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#### OPEC courts Namibia as it prepares to produce oil from 2030...

Citing industrial officials and other sources, the **United States (US)** media publication, **Reuters**, reported on 15 April that after having lost **Angola** and other players in recent years, the **Organization of the Petroleum Exporting Countries (OPEC)** is keen to recruit Namibia.<sup>1</sup> Namibia is preparing to produce oil following discoveries by **United Kingdom (UK)**-headquartered oil giant **Shell** and **French** competitor, **TotalEnergies**, estimated at 2.6 billion barrels.<sup>2</sup> The country is set to start production by 2030 and possibly become **Africa's** largest producer by output by the next decade.<sup>3</sup>

According to Reuters, OPEC's initial focus would be for Namibia to join the cartel's **Charter of Cooperation**, a grouping that engages in longer-term dialogue about energy markets.<sup>4</sup> **Brazil** also joined the charter in January. **African Energy Chamber** executive chairman **NJ Ayuk**, who has been facilitating discussions between the two sides, informed Reuters that OPEC eventually intends for Namibia to become a full member of the grouping.<sup>5</sup> However, Ayuk said that while OPEC had started its "*charm offensive*", the outcome of the talks is unclear at the moment. OPEC secretary general, **Haitham Al Ghais**, said in February that the organization was holding talks with several countries but declined to name them. However, OPEC posted on social media in February that Al Ghais had met with mines and energy minister **Tom Alweendo** at a conference in **Nigeria** where the possibility of collaborating "*under the umbrella of the charter of cooperation*" was discussed.<sup>6</sup>

Alweendo told Reuters in March that OPEC membership was not currently on the Namibian government's agenda and did not divulge whether it was considering joining the charter:

*"We haven't been approached by anyone to join OPEC. OPEC members are petroleum exporting countries and we are not there yet. That is a consideration only after we have started to produce".<sup>7</sup>*

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<sup>1</sup> Reuters, 15 Apr 2024

<sup>2</sup> World Oil, 11 Oct 2023

<sup>3</sup> World Oil, 11 Oct 2023; Reuters, 15 Apr 2024

<sup>4</sup> Reuters, 15 Apr 2024

<sup>5</sup> Reuters, 15 Apr 2024

<sup>6</sup> Reuters, 15 Apr 2024

<sup>7</sup> Reuters, 15 Apr 2024

Ayuk said that discussions between Namibia and OPEC would most likely resume in late April when Al Ghais will deliver an address at a Namibian energy conference. OPEC+ countries produce around 40% of the world's crude, and by joining the cartel, Namibia will have a say on the group's policy decisions that have a major impact on oil prices. Should it decide to join, Namibia must be very clear about its interests and avoid a situation like Angola's where it quit the organisation in December after receiving a lower-than-expected output ceiling from OPEC+.<sup>8</sup>

### Germany plans more support for \$11 billion Hyphen hydrogen project

The **German** government through the course of March confirmed plans to designate the ambitious **Hyphen** green hydrogen project in Namibia as strategically important, paving the way for Germany to offer further financial support for the project.<sup>9</sup> The Hyphen hydrogen project is located on the south coast of Namibia and has been punted as a project that could transform the country's economy.

The German independent energy group **Enertrag SE**, which specialises in generating electricity from renewable sources and holds a stake in the €10 billion (\$10.8 billion) Hyphen project, said on 20 March that the German government had presented it with a letter from its economy minister **Robert Habeck** laying out its intentions for the project:

*"We are therefore prepared to categorize it as a foreign project, under certain conditions, in the strategic interest of the Federal Republic of Germany and thus provide more support than usual through our foreign trade promotion instruments."*<sup>10</sup>

In a separate statement released at the **Berlin Energy Transition Dialogue** on 19 and 20 March, Habeck also noted that the Hyphen project will open up new economic prospects for Namibia and also contribute to the development of a global hydrogen market.<sup>11</sup>

Germany, **Belgium** and the **Netherlands** have all been courting Namibia for its potential to produce green hydrogen from its abundant solar and wind resources.<sup>12</sup> Green hydrogen, widely seen as a future carbon-free fuel used to power industry and ships, among other things, is produced by splitting water into hydrogen and oxygen using renewable energy.

Hyphen intends to generate the fuel and then convert it into ammonia before transporting it to Germany. Should the Hyphen project come to completion, it would not only diversify Germany and Europe's energy supplies but also boost Namibia's economy, which is currently reliant on diamonds, fishing and tourism.<sup>13</sup>

### Namibian government exploring nuclear energy...

Alweendo confirmed to parliament on 12 April that the government is exploring the possibility of introducing nuclear energy as an additional power source. Namibia relies heavily on energy imports from neighbouring countries via the **Southern African Power Pool**, importing at least 70% of its electricity annually.<sup>14</sup> Alweendo noted that the government is cognisant that the country needs to diversify its energy sources in order to address its energy needs, but noted that while nuclear energy is a cheap viable option, it comes with significant initial construction costs.<sup>15</sup>

<sup>8</sup> Al Jazeera, 21 Dec 2023

<sup>9</sup> Bloomberg, 20 Mar 2024

<sup>10</sup> Enertrag, 20 Mar 2024

<sup>11</sup> Bloomberg, 20 Mar 2024

<sup>12</sup> Bloomberg, 20 Mar 2024

<sup>13</sup> Bloomberg, 20 Mar 2024

<sup>14</sup> New Era, 12 Apr 2024

<sup>15</sup> New Era, 12 Apr 2024

Namibia has deliberated in the past on investing in nuclear energy, but progress toward this goal has remained elusive despite the energy source being an option to significantly reduce the cost of importing energy and provide stable electricity, which is vital to economic growth and development. But as Alweendo stressed, it comes with significant costs and environmental risks. Speaking on the matter, a local source told **Africa Risk Consulting Briefing (ARC Briefing)** that the development is,

*“Long overdue. Why have plenty uranium and still have power struggles”.*<sup>16</sup>

The **Bank of Namibia (BoN)** (central bank) reported in its latest economic forecast on 11 April that uranium mining growth is expected to slow in 2024 due to water supply issues that are impacting mining production.<sup>17</sup> The sector contributed N\$4.1 billion (\$216m) in 2022 towards national gross domestic product (GDP) and N\$4.7 billion (\$249m) in 2023.<sup>18</sup> Namibia produces about 11% of the world’s uranium and is the second largest producer globally of the critical mineral, behind **Kazakhstan**.<sup>19</sup> While responding to concerns raised by parliamentarians, Alweendo acknowledged the irony of Namibia being the world’s second-largest uranium producer but struggling with its persistent power shortages.<sup>20</sup> Alweendo’s announcement on 12 April indicates that there is at least a renewed political will to investigate the option.

### **Inflation drops to 4.5% in March...**

The **Namibia Statistics Agency (NSA)** confirmed on 10 April that annual inflation declined for a second consecutive month from 5% in February to 4.5% in March.<sup>21</sup> This figure also marks a major decrease from the 7.2% recorded in March 2023. Statistician general **Alex Shimuafeni** attributed the decline in inflation to a drop in prices of food and non-alcoholic beverages, as well as alcoholic beverages and tobacco products.<sup>22</sup> He further noted that the inflation rate remained steady on a month-on-month basis, with no change recorded.<sup>23</sup> In an analysis of the data, the NSA highlighted a significant decline of 1.4% in the prices of cereals and bread, which form a substantial portion of consumers’ food purchases.<sup>24</sup> This decline is a major contrast to the 20.8% rise registered in the same period last year.<sup>25</sup>

In a review of the NSA’s data, **First National Bank (FNB) Namibia**, a subsidiary of **South Africa**-headquartered FNB, said on 10 April that it forecasts an increase in headline inflation to 4.9% in April (previously 4.8%) and a 12-month average of 4.7% for 2024 due to fuel hikes implemented this month.<sup>26</sup> FNB anticipates a rise in inflation due to the fuel hikes implemented this month.<sup>27</sup> FNB Namibia added that a rise in civil servant wages and tax reforms implemented on 1 March are likely to provide disposable income and increase consumer spending, *“which will potentially drive demand-side inflation”*.<sup>28</sup>

If FNB’s projections are validated, a rise in inflation will increase economic pressure on average Namibians just as it showing signs of easing. An increase in inflation could also become a crucial factor for voters in the elections later this year.

<sup>16</sup> ARC Source, Local Resident

<sup>17</sup> Bank of Namibia, 11 Apr 2024

<sup>18</sup> Bank of Namibia, 11 Apr 2024

<sup>19</sup> African Mining, 11 Apr 2024

<sup>20</sup> New Era, 12 Apr 2024

<sup>21</sup> Namibia Statistics Agency, 10 Apr 2024

<sup>22</sup> Namibia Economist, 10 Apr 2024

<sup>23</sup> Namibia Economist, 10 Apr 2024

<sup>24</sup> Namibia Statistics Agency, 10 Apr 2024

<sup>25</sup> Namibia Economist, 10 Apr 2024

<sup>26</sup> FNB Namibia, 10 Apr 2024

<sup>27</sup> FNB Namibia, 10 Apr 2024

<sup>28</sup> FNB Namibia, 10 Apr 2024

### Central bank projects 3.7% growth in 2024 in latest forecast...

BoN published its latest economic forecast on 11 April which indicates that Namibia's economy is facing a slowdown this year, primarily due to challenges in the mining industry, adverse weather and weaker global demand.<sup>29</sup> Central bank governor **Johannes !Gawaxab** stressed in the report that Namibia's economic outlook is a reflection of what is already happening globally, saying that global growth is expected to "*remain slow*" at 3% before slightly improving to 3.2% in 2025.<sup>30</sup> He attributed the sluggish global growth to factors such as limited government spending flexibility globally and rising interest rates.<sup>31</sup> Forecasting a similar trend for Namibia, the BoN in its report said that it expects the domestic economy to grow by 3.7% in 2024 before accelerating to reach 4.1% in 2025.

!Gawaxab attributed the domestic economic slowdown primarily to slower growth in the local mining industry, a backbone of the Namibian economy, and weaker global demand.<sup>32</sup> Risks to domestic economic growth are also expected from water supply constraints, drought conditions and high costs of key import items.<sup>33</sup> Some of these risks include water supply interruptions that might continue to impact mining production at the coast, possible spikes in food prices due to adverse weather shocks and supply chain disruptions.<sup>34</sup> !Gawaxab also revealed that diamond mining is expected to decline this year due to low production and international prices.<sup>35</sup> Metal ores are also expected to decline as a result of resource depletion.<sup>36</sup>

On a positive note, !Gawaxab said that industries such as banking, public transportation, construction, retail trading and restaurants are projected to grow steadily in 2024 and 2025.<sup>37</sup> The manufacturing sector, particularly for leather products and beverages, is also expected to grow this year. The construction sector is also set to perform well this year due to the increased construction of government projects.<sup>38</sup> Ultimately, the BoN's report makes clear that Namibia's economy is facing a slowdown this year, but it is not all gloomy as there are some signs of resilience in specific sectors, and the economy is set to recover next year.

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<sup>29</sup> Bank of Namibia, 11 Apr 2024

<sup>30</sup> African Mining, 11 Apr 2024

<sup>31</sup> Bank of Namibia, 11 Apr 2024

<sup>32</sup> Bank of Namibia, 11 Apr 2024

<sup>33</sup> African Mining, 11 Apr 2024

<sup>34</sup> Bank of Namibia, 11 Apr 2024

<sup>35</sup> Bank of Namibia, 11 Apr 2024

<sup>36</sup> African Mining, 11 Apr 2024

<sup>37</sup> African Mining, 11 Apr 2024

<sup>38</sup> African Mining, 11 Apr 2024

## Planner

Nov 2024 **(Namibia)** General elections

## Chronology

15 Apr 2024 **Windhoek (Namibia)** *The Namibian*. The **Electoral Commission of Namibian (ECN)** appoints **Thomas Shapi** as the new deputy director of registration and planning with effect from 1 May;

13 Apr 2024 **Windhoek (Namibia)** *New Era Live*. At least 10 divisions within the department of agriculture and land reform have returned over N\$109m (\$5.7m) to the treasury due to unfilled vacant positions;

12 Apr 2024 **Windhoek (Namibia)** *The European Union*. The **European Union (EU)** refutes claims that its heads of missions were discussing governance matters during their recent meeting with the opposition party, the **Independent Patriots for Change (IPC)**;

12 Apr 2024 **Windhoek (Namibia)** *New Era Live*. Vice president **Netumbo Nandi-Ndaitwah**, who is also ruling **Swapo**'s presidential candidate, questions **Germany**'s involvement in the internal politics and state matters after her party learnt of their meeting with the opposition **Independent Patriots for Change (IPC)**;

11 Apr 2024 **Windhoek (Namibia)** *The Namibian*. Mines and energy ministry suspends the issuance of new independent power generation meant for export, in a bid to improve domestic electricity supply;

10 Apr 2024 **Windhoek (Namibia)** *The Namibian*. International relations minister **Peya Mushelenga** summons envoys from the **European Union, Germany, France, Spain** and **Portugal** after learning of their meeting with the opposition **Independent Patriots for Change (IPC)**;

9 Apr 2024 **Windhoek (Namibia)** *The Namibian*. The ruling **Swapo** deputy secretary general **Uahekua Herunga** says the party has never labelled opposition **Independent Patriots for Change (IPC)** president **Panduleni Itula** "an agent of imperialism";

8 Apr 2024 **Windhoek (Namibia)** *New Era*. The opposition **Independent Patriots for Change (IPC)** president **Panduleni Itula** warns the ruling **Swapo** that the IPC will not tolerate intimidation after some Swapo leaders say the IPC party is led by imperialist agents;

7 Apr 2024 **Windhoek (Namibia)** *Observer24*. **Namibian Ports Authority (Namport)** signs an agreement with **France**-headquartered **Africa Global Logistics (AGL)** to oversee the operations of a bulk terminal in **Port of Walvis Bay**;

4 Apr 2024 **Windhoek (Namibia)** *New Era*. President **Nangolo Mbumba** gives the **Boundaries Delimitation and Demarcation Commission** three months to complete a report which would assist the **Electoral Commission of Namibia (ECN)** with the registration of eligible voters for this year's election;

2 Apr 2024 **Windhoek (Namibia)** *Reuters*. Namibian authorities are investigating a surge in rhino poaching that has seen 28 rhinos poached already this year, two-thirds of them in the country's flagship **Etosha National Park**;

1 Apr 2024 **Windhoek (Namibia)** *Observer24*. International relations and cooperation minister **Peya Mushelenga** concludes talks with his **Russian** counterpart, **Sergey Lavrov**, on bilateral relations;

27 Mar 2024 **Windhoek (Namibia) Upstream**. French energy giant **TotalEnergies'** head of exploration **Kevin McLachlan** says the company is running simultaneous flow tests in a pair of wells on its **Venus** oil discovery site offshore of Namibia;

21 Mar 2024 **Windhoek (Namibia) Offshore Energy**. Energy minister **Tom Alweendo** and **Germany's** economic affairs minister, **Robert Habeck**, agree to bolster the hydrogen partnership between Namibia and Germany;

### About Africa Risk Consulting:

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