

## AFRICA RISK CONSULTING

### Namibia Monthly Briefing August 2022

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#### Namibia Summary 15 August 2022

*The Namibian High Court dismisses an application by environmental groups to interdict the oil and gas drilling by Reconnaissance Energy Africa in the Kavango Region (ReconAfrica). On 13 August, the ruling South West Africa People's Organisation (SWAPO) recorded their second election loss in the Swakopmund Regional Council. Swakopmund mayor, Louisa Kativa, of the Independent Patriots for Change (IPC), is elected to the Swakopmund regional council. The Agricultural Bank of Namibia (Agribank) publishes its latest monthly report indicating that Namibia's crucial livestock market is showing signs of recovery after a prolonged period of drought. The sector is crucial to the country's economy and represents around 70% of the national agricultural output.*

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#### Court allows continued oil drilling in Kavango

The **High Court of Namibia** dismissed an application for an urgent interim interdict by a group of environmental organisations against further oil and gas drilling in Namibia's **Kavango Basin** by the Namibian subsidiary of **Canadian**-based oil and gas company, **Reconnaissance Energy Africa (ReconAfrica)**.<sup>1</sup> The interdict bid was also against Namibia's energy and mining minister **Tom Alweendo**, environmental commissioner **Timoteus Mufeti**, commissioner for petroleum affairs **Maggy Shino**, and attorney general **Festus Mbandeka**.

The organisations, namely **Katope Community Forest**, **Ncumcara Community Forest**, **Muduva Ngyangana Communal Conservancy** and the **Kavango East and West Regional Conservancy and Community Forest Association**, first presented their case in the high court on 13 July before Judge **Thomas Masuku** dismissed the case on 29 July.<sup>2</sup>

The group's lawyer, **Corinna van Wyk**, argued that the matter is urgent as there is a risk of irreversible environmental damage to the Kavango East and West regions in Namibia.<sup>3</sup> Van Wyk did not argue for a blanket interdict against all ReconAfrica's operations in the Kavango but argued that:

*"The creation of new tracks and cut lines will open previously pristine areas to illegal timber harvesting and poaching. Furthermore, the construction of new stratigraphic wells and side-tacking of existing wells create and increase risks of severe environmental degradation, including groundwater contamination, aquifer depletion and air pollution [...]."*<sup>4</sup>

Van Wyk further argued that the environmental clearance certificate, first issued to ReconAfrica in 2019, is unconstitutional and contravenes the **Environmental Management Act** as the local communities in the drilling locations were not consulted.<sup>5</sup> Various other international and local environmental activists have echoed van Wyk's arguments and have also raised suspicions that

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<sup>1</sup> The Namibian, 1 August 2022

<sup>2</sup> The New Era, 14 Jul 2022

<sup>3</sup> IOL, 2 Aug 2022

<sup>4</sup> The New Era, 14 Jul 2022

<sup>5</sup> The Namibian, 1 Aug 2022

the clearance certificate permits ReconAfrica to move drilling sites without precursory site-specific studies to assess drilling's impact on the ecology and communities.

The respondents in the case argued that the matter is not urgent and disputed the applicant's legal standing to make such an application and the court's jurisdiction to hear the applicant's case.<sup>6</sup> Masuku argued in favour of the respondent's defence, stating that the high court does not have the power to grant the interdict and ordered the applicants to pay costs.

ReconAfrica partnered with the state-owned **National Petroleum Corporation of Namibia (NAMCOR)** to drill oil and gas wells upstream in the northeast of the Kavango. ReconAfrica acquired rights for oil and gas exploration in the Kavango East and West Regions from the mining and energy ministry in 2015.<sup>7</sup> NAMCOR holds a 10% stake in the petroleum license and ReconAfrica holds the remaining 90%.<sup>8</sup> The exploration period of the petroleum license started in December 2020 and is set to end on 29 January 2025, however, ReconAfrica has requested an extension from local authorities until 29 January 2029. The Kavango basin is estimated to hold 1.4 trillion cubic feet of gas and 1 billion barrels of oil.<sup>9</sup>

The Kavango River starts in **Angola**, extends to Namibia, and then flows into **Botswana**, where the **Okavango Delta River Basin (Delta Basin)** is located. ReconAfrica's rights cover the entire **Kavango Transfrontier Conservation Area (KAZA TFCA)**, approximately 6.3m acres.<sup>10</sup> ReconAfrica's Botswana drilling in the Kavango brings their total petroleum license to 8.5m acres across the two countries.<sup>11</sup>

Concerns have been previously raised as Botswana's **Delta Basin** section was declared a World Heritage Site by the **United Nations Educational, Scientific and Cultural Organisation (UNESCO)** in 2014. The Director of the UNESCO **World Heritage Centre**, Dr **Mechtild Rössler**, commented that ReconAfrica's drilling exercise is "*not compatible*" with maintaining Kavango's World Heritage status.<sup>12</sup> The Kavango is popularly known to hold one of Africa's most pristine rivers and ecosystems. In December 2020, ReconAfrica commenced drilling operations in Namibia's Kavango.

**National Geographic**, a **United States (US)** based magazine, has published various reports on ReconAfrica's activities in the Kavango. One report, published on 21 May 2021, alleges that ReconAfrica manipulated its share price to attract Canadian investment into the oil company's Kavango drilling exercise.<sup>13</sup> The allegations came after an anonymous whistle-blower filed a confidential complaint to the US **Securities and Exchange Commission (SEC)**, a law enforcement agency that targets market manipulation. The outcome of the whistle blower's complaint has not been reported. A second National Geographic report was published on 13 December 2021, featuring a photo exposé allegedly revealing that ReconAfrica was drilling in areas without the appropriate approval from local authorities.<sup>14</sup>

ReconAfrica responded to both reports, denying the allegations.<sup>15</sup> Other local and international environmental activist groups have continued pressuring ReconAfrica to halt its Kavango operations, but the recent Namibian high court ruling and the licensing approvals by local authorities mean that environmental activists will struggle to halt operations.

<sup>6</sup> The Namibian, 1 Aug 2022

<sup>7</sup> The Namibian, 1 Aug 2022

<sup>8</sup> [www.reconafrika.com](http://www.reconafrika.com), 2021

<sup>9</sup> [www.africa-energy.com](http://www.africa-energy.com), 27 May 2022

<sup>10</sup> [www.reconafrika.com](http://www.reconafrika.com), 2021

<sup>11</sup> [www.reconafrika.com](http://www.reconafrika.com), 2021

<sup>12</sup> [www.whc.unesco.org](http://www.whc.unesco.org), 21 Dec 2020

<sup>13</sup> National Geographic, 21 May 2021

<sup>14</sup> National Geographic, 13 Dec 2021

<sup>15</sup> [www.reconafrika.com](http://www.reconafrika.com), 2021

The regulatory approvals by local authorities and ReconAfrica's partnership with NAMCOR reveal the strong relationship that ReconAfrica has with the environmental law enforcement authorities in Namibia. This relationship, and ongoing approval of licenses, bring the Namibian government's commitment to prioritise green energy into question. In November 2021, Namibia's presidential economic adviser, **James Mnyupe**, said that Namibia has enough renewable energy to become a regional powerhouse and drastically reduce sub-Saharan Africa's reliance on carbon-based fuels.<sup>16</sup>

Russia's invasion of **Ukraine** in February has caused oil prices to soar and led many **European** countries to seek other oil and gas supply options other than Russia. **President Hage Geingob** also strategically positioned Namibia as a leading source of green energy for its green hydrogen potential in May 2022 at the **World Economic Forum's** annual meeting held in **Davos, Switzerland** (see *ARC Brief Namibia June 2022*). The Namibian government is likely to hold onto its oil and gas explorations hoping its economy will profit from these countries, however, it will move the focus away from renewables. ReconAfrica's share price also went up by 5% on 3 August 2022, after winning their case.<sup>17</sup>

### IPC beats SWAPO in by-election

The **Independent Patriots for Change (IPC)** have retained their **Swakopmund** constituency seat after by-elections for the **Regional Council (RC)** position were held on 12 August.<sup>18</sup> **Louisa Kativa**, the local mayor of the city of Swakopmund, will resign from her position in Swakopmund's local council within a week after her new election success was announced on 13 August. Kativa will now represent the IPC as a regional councillor after beating eight other candidates. Kativa won 3,625 votes, far ahead of **Salomon Nehemiah**, representing the **South West Africa People's Organisation (SWAPO)**. Nehemiah is a former mayor represented in the Swakopmund local council, who only won 503 votes in the by-election.<sup>19</sup> Out of 37,406 eligible voters, 9,918 votes were cast – a low turnout.<sup>20</sup> The Swakopmund constituency, which includes the district capital of Swakopmund, is in Namibia's **Erongo Region**, one of Namibia's 14 regions. The 14 regions are further divided into 121 constituencies.<sup>21</sup> Swakopmund's RC also holds one of the largest pools of voters in the Erongo Region.

The RCs are a level of government between the president and national assembly on the one hand and the local government (municipal, town and village councils) on the other. RCs are single-member constituencies and the only level of government in Namibia with a first-past-the-post electoral system, a "winner takes all" approach.<sup>22</sup> The IPC has had a significant impact despite only being established on 2 August 2020 by former SWAPO member, **Panduleni Itula** (see *ARC Briefing Namibia Aug 2020*). Itula stood as an independent presidential candidate in the 2019 general election and came second after current President **Hage Geingob** (2015-present).

This is SWAPO's second loss in the Swakopmund regional constituency – the party was last elected as Swakopmund's RC representative in 2015 when they won 5,534 votes.<sup>23</sup> However, in 2020, the IPC beat SWAPO, a shock as SWAPO has dominated the national assembly and presidency since it gained independence from **South Africa's** apartheid government in 1990.

<sup>16</sup> [www.africanclimatefoundation.com](http://www.africanclimatefoundation.com), 4 Nov 2021

<sup>17</sup> [www.marketwatch.com](http://www.marketwatch.com), 3 Aug 2022

<sup>18</sup> The New Era, 15 Aug 2022

<sup>19</sup> The New Era, 15 Aug 2022

<sup>20</sup> The New Era, 15 Aug 2022

<sup>21</sup> [www.namibiafactcheck.org.na](http://www.namibiafactcheck.org.na), 2022

<sup>22</sup> [www.ippr.org.na](http://www.ippr.org.na), 2015

<sup>23</sup> [www.ippr.org.na](http://www.ippr.org.na), 2015

The IPCs significant electoral gains and stronghold in Swakopmund is a strong indication that SWAPO is increasingly losing ground and trust from voters as Namibia approaches its 2024 elections. A local source commented to **Africa Risk Consulting (ARC)** on SWAPO's loss saying that "SWAPO must expect their blows."

Namibian analyst, Dr **Raimo Ndawepa Naanda**, also commented that Namibian political parties need to learn from the IPC outcome:

*"I have no doubt that many political parties find it difficult to accept these results [...] All parties should not draw serious lessons from these election results and go back to their drawing boards if they want to remain relevant and make a difference for the upcoming elections[...]"<sup>24</sup>*

The RC usually holds its by-election every five years, however, the by-election in the Swakopmund constituency was necessitated after IPC's **Ciske Smith-Howard**, the regional councillor since 2020, was dismissed by her party on 17 May 2022 for being embroiled in an internal party dispute and for allegedly not residing in the Swakopmund constituency region.<sup>25</sup>

The Swakopmund RC was a significant stronghold for SWAPO and holds strategic economic significance as a port city with sophisticated infrastructure and as a tourist hub. The city council of Swakopmund is classified as a Part I municipality for maintaining sound governance and financial practices.<sup>26</sup> There are only three municipalities in Namibia with a Part I status, including the capital **Windhoek** and **Walvis Bay**.<sup>27</sup> Part I municipalities are given more decision-making powers, therefore giving the party in charge of the constituency more power. Part II municipalities are subject to more control by the national government, particularly the regional, local government, housing, and rural development ministry.

### The beef market shows recovery

The **Agricultural Bank of Namibia (Agribank)** published its latest monthly report on 20 July, indicating that Namibia's crucial livestock market is showing signs of recovery after a prolonged period of drought.<sup>28</sup> Namibia's livestock sector is crucial to the country's economy and represents around 70% of the national agricultural output.<sup>29</sup> Climate change remains a major threat to the sector, prompting the government to prioritise the adaption mechanisms for the sustainability of the livestock sector. Namibia is one of the world's most drought-stricken countries and between 2018 and 2019, suffered from a severe drought that killed around 60,000 heads of livestock.

Agribank's July 2022 monthly report indicated that the cattle market saw a 20% increase in the first half of 2022. By June 2022, 20,000 more cattle were sold bringing the total for 2022 to 121,555, compared to 101,016 in the same period of 2021.<sup>30</sup> Abattoirs north of the **Veterinary Cordon Fence (VCF)** also saw a 146% increase in marketed cattle with 2,048 cattle marketed in the first half of 2022 compared to 831 in the first half of 2021. This increase is due to a reopening of the **Katimo Mulilo** abattoir and trade routes from Namibia to **Ghana** and Angola. The VCF is also known as "the red line" and is a stock disease control mechanism that protects Namibia's beef export industry from stock diseases, such as lung disease or foot-and-mouth disease.<sup>31</sup>

<sup>24</sup> The New Era, 16 Aug 2022

<sup>25</sup> The New Era, 18 May 2022

<sup>26</sup> [www.eisa.org](http://www.eisa.org), 2007

<sup>27</sup> The Namibian, 19 Jul 2022

<sup>28</sup> The New Era, 11 Aug 2022

<sup>29</sup> [www.blogs.worldbank.org](http://www.blogs.worldbank.org), 9 Jun 2022

<sup>30</sup> Namibia Economist, 11 Aug 2022

<sup>31</sup> All Africa, 22 Jul 2021

In the first half of 2022, small stock marketing performed well and recorded a 33% increase from 248,778 goods marketed in the first half of 2021 to 378,008 marketed in the first half of 2022.<sup>32</sup> The export of live sheep is one the biggest drivers in the meat export sector which in turn has seen a reduction in sheep slaughtering by 15% in the first half of 2022 to 53,821 compared to 63,505 slaughtered in the same period in 2021. The pork market is also bound to reach its full potential as the first half of 2022 registered a 4% increase from 21,921 in 2021 to 22,863 in 2022. This growth has been spurred on by the **Pork Market Share Promotion Scheme**, which assists local producers in finding market access, giving them a market share in the context of cheap exports.<sup>33</sup>

The report concluded with Agribank driving the need to diversify the sector, hoping that Namibia's new green hydrogen hopes will create a spill-over into the agricultural sector. In November 2021, President Geingob announced the reservation of 5,700km<sup>2</sup> in the **Kharas Region** for the development of a green hydrogen and ammonia asset project, which offers a potentially transformative post-Covid investment initiative (*see ARC Briefing Namibia Nov 2021*).<sup>34</sup> The government has initiated the development of a \$4.4 billion vertically integrated green hydrogen project in the **Tsau//Khaeb National Park** in southwestern Namibia. Ammonia, required for green hydrogen, could spur growth in local agro-industries, especially local fertiliser production. This could in turn reduce reliance on imports for agriculture production inputs.<sup>35</sup>

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<sup>32</sup> The New Era, 11 Aug 2022

<sup>33</sup> The New Era, 11 Aug 2022

<sup>34</sup> The Namibian, 3 Nov 2021

<sup>35</sup> The New Era 10 Aug 2022

## Planner

17 Aug 2022 **Windhoek (Namibia) Bank of Namibia** releases monetary policy statement;  
 19 Oct 2022 **Windhoek (Namibia) Bank of Namibia** releases monetary policy statement;  
 7 Dec 2022 **Windhoek (Namibia) Bank of Namibia** releases monetary policy statement;  
 2024 **(Namibia)** General elections;

## Chronology

13 Aug 2022 **Windhoek (Namibia) The New Era**. **Louisa Kativa**, the local mayor of the city of **Swakopmund** representing the **Independent Patriots for Change (IPC)**, wins 3,625 votes in **Swakopmund's** regional council by-elections;

12 Aug 2022 **Windhoek (Namibia) The Namibian**. **Swakopmund** regional council elections are held;

6 Aug 2022 **Windhoek (Namibia) The Namibian**. **Nandi-Ndaitwah**, vice president of the **South West Africa People's Organisation (SWAPO)**, blames the Fishrot corruption scandal on "jealous external forces" who want to sink Namibia's fishing sector;

4 Aug 2022 **Windhoek (Namibia) Mining Weekly**. **Canada**-headquartered **Trevali Mining** receives credit approval from **South Africa**-based **Standard Bank** for \$110m to fund the expansion of its **Rosh Pinah** lead and zinc mine;

29 Jul 2022 **Cape Town (South Africa) IOL**. The **High Court of Namibia (Main Division)** rules in favour of **ReconAfrica**, a **Canadian** oil and gas company, and **National Petroleum Corporation of Namibia (NAMCOR)**, rejecting an interim interdict brought by environmental rights groups;

28 Jul 2022 **Windhoek (Namibia) Press Release**. **Namibia's** mines and energy ministry announces that the price of petrol will remain at N\$22,28 (\$1,50) cents per litre and the diesel price will remain at N\$22.77 (\$1,50) cents per litre in **Walvis Bay** and that other fuel prices across the country will also remain the same.

28 Jul 2022 **Windhoek (Namibia) The Namibian**. CEO of the **Namibian Agronomic Board (NAB)**, **Fidelis Mwazi**, announces new limitations, applicable between 1 to 31 August, on the agricultural products qualifying for a special import permit, allowing for unrestricted imports;

28 Jul 2022 **Windhoek (Namibia) The New Era**. The **Windhoek Magistrate's Court** rules that there are irregularities in the handling of the Fishrot corruption scandal;

20 Jul 2022 **Windhoek (Namibia) The New Era**. **Agribank** announces signs of drought recovery as a relief for livestock farming as the beef sector grows by 20% in the first half of 2022;

### About Africa Risk Consulting:

**Africa Risk Consulting (ARC)** is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

**ARC's** core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistle-blower support on one end to crisis media management and regular monitoring on the other.

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Please contact us by email [info@africariskconsulting.com](mailto:info@africariskconsulting.com) or call + 44 (0) 20 7078 4080

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