



**GOVERNMENT OF THE REPUBLIC OF NAMIBIA
MINISTRY OF MINES & ENERGY**

NATIONAL UPSTREAM PETROLEUM LOCAL CONTENT POLICY

NOVEMBER 2021





Foreword

Over the last two decades, local-content legislation and policies have gained collective importance within the wider body of oil and gas policies. Since the introduction of the Norwegian local-content framework in the early 1970s, there has been an observable paradigm shift from the philanthropic or ad-hoc corporate social responsibility (CSR) model towards a value-based economic model, with governments wanting more involvement in the high-skilled level activities, which are achieved through the cumulative obligations they impose on foreign investors.

Local-content policies have become a key priority of host governments and industry players alike. Increasingly, more resource-rich developing countries are enacting local-content legislation as a means of maximizing the benefits to be gained from their petroleum industries.

Given this reality, the Namibian Government have equally decided to adopt this instrument with the objectives to increase local participation in the value chain of goods and services, create employment, training and development of Namibian citizens, enable transference of technology, skills and knowledge, and ensure equity participation for Namibians at all levels of the petroleum sector.

To this end, it is envisaged that such objectives will primarily be responsible to bring about the necessary development of backward, forward and demand linkages, which is pivotal to fully integrate our nascent oil and gas sector into the national economy.

I, therefore, endorse our Upstream Petroleum Local Content Policy.

Hon. Tom K. Alweendo
MINISTER





Acknowledgement

The Ministry of Mines and Energy (MME) hereby wishes to extend immense appreciation towards the various indispensable inputs received from the various stakeholders during the drafting and finalization of the National Upstream Petroleum Local Content Policy. We extend an earnest appreciation for all the joint efforts and constructive contribution afforded by the stakeholders, who in their respective expertise and line of work, have played a substantial role in the development of this Policy.

Special words of appreciation go to the members of the Commonwealth Secretariat's Oceans and Natural Resources Division. A distinctive word of thanks is also extended to each of the members deployed from the various stakeholders, who in respect of their knowledge and industry experience guided the development of this Policy from infancy to its final stages. This includes professionals that were delegated from the Ministry of Mines & Energy (MME), The National Petroleum Corporation of Namibia (NAMCOR), The Ministry of Finance (MoF), The Ministry of Environment and Tourism (MET), Petroleum Training and Education Fund (PETROFUND), the Office of the Attorney General, National Planning Commission (NPC) and Namibia Petroleum Operations Association (NAMPOA). Each of the members ensured that there was balance, inclusivity and significant inputs while developing the policy.

The Ministry of Mines and Energy is proud to have been afforded the opportunity to interact with each of the stakeholders. All members shared valuable insight and inputs, and each of the shared contributions facilitated the drafting of a policy that is formulated with all Namibians in mind and is reflective of the various ambitions and aspirations of the Namibian nation at large, with no exclusion.





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Acronyms

CSR	Corporate Social Responsibility
E&P	Exploration & Production
FTE	Full-Time Equivalent
GRN	Government of the Republic of Namibia
HPP	Harambee Prosperity Plan
IOC	International Oil Companies
LC	Local Content
LCP	Local Content Policy
M&E	Monitoring and Evaluation
MME	Ministry of Mines and Energy
MoF	Ministry of Finance
NAMCOR	National Petroleum Corporation of Namibia
NAMPOA	Namibia Petroleum Operations Association
NEEEP	National Equitable Economic Empowerment Policy
NEEEF	National Equitable Economic Empowerment Fund
NPC	National Planning Commission
PETROFUND	Petroleum Training and Education Fund
SME's	Small and Medium Enterprises
TCF	Trillion Cubic Feet



Glossary

Appraisal	Activities carried out following a discovery for the purpose of estimating the quantity and quality of recoverable petroleum and whether it is a commercial discovery;
Commercial Discovery	A discovery that is technically and economically viable.
Discovery	To establish through drilling of a well the presence of petroleum
Development (phase)	the planning, construction and installation of facilities for production
Exploration	Activities carried out for, or in connection with the search for petroleum
Frontier	Often also referred to as emerging.
Host nation	Often also referred to as host government. The country or government where the resources are found
Local company	A company incorporated under the Companies Act and which has at least fifty-one per cent of its equity owned by a citizen of Namibia and with its principal place of business in Namibia.
Local Content	The added value to the Namibian economy through the use of Namibian labour, goods and services, companies, ownership and financing in the upstream petroleum sector
Local Content Plan	A requirement for holding any petroleum licence. Operator submits proposals for developing local content in line with the local content policy for approval by the MME. Thereafter progress against commitments made will be monitored and evaluated on an annual basis.
Operator	The company appointed by the Contracting Party to carry out Petroleum Operations on its behalf.
Petroleum	Any liquid or solid hydrocarbon or combustible gas existing in a natural condition in the earth's crust and includes any such liquid or solid hydrocarbon or combustible gas which has in any manner been returned to such natural condition, but shall not include coal, bituminous shale or other stratified deposits from which oil can be obtained by destructive distillation, or gas arising from marsh or other surface deposits.
Upstream	Activities that include reconnaissance, exploration, development and production of crude oil and natural gas.



Executive Summary

Purpose

The National Upstream Local Content Policy spells out the Government of the Republic of Namibia's intent, direction and undertaking to create a pathway for the full participation of all Namibians in the petroleum sector .

Overview of Namibia's Petroleum Sector

The upstream petroleum sector is a high risk, capital intensive, technologically driven sector with very long investment horizons which results in high levels of import content for these specialized goods and services with relatively low levels of employment for Namibians. These characteristics present unique challenges for the sector to contribute to a country's economic development. To address these unique challenges, "local content" policies are often adopted to overcome these challenges and increase the benefits for the economy and Namibians from the development of finite petroleum resources.

This Local Content Policy is aligned with existing strategies such as the National Development Plan, the Harambee Prosperity Plan, the National Energy Policy, the National Equitable Economic Empowerment Policy (NEEEP), the Growth at Home Policy, the Poverty Eradication Policy and is further in line with Vision 2030 which foresees "a prosperous and industrialised Namibia, developed by her human resources.

The National Upstream Petroleum Local Content Policy's vision is to create an internationally competitive petroleum sector that maximizes the benefits to the country through meaningful and sustainable participation by Namibians and local companies across all areas of the value chain.

The National Upstream Petroleum Local Content Policy's mission is 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 National Upstream Petroleum Local Content Policy's main goal is to enable Namibian citizens and companies to participate in a meaningful and sustainable way across all areas of the value chain.

The National Upstream Petroleum Local Content Policy's objective is aimed at providing a clear and stable regulatory framework for Local Content requirements.

To ensure that the Local Content Policy comes to fruition it is critical that the legal framework governing the petroleum sector is consistent with the Local Content Policy and makes clear the obligations and mechanisms through which the Local Content Policy can be delivered.

The implementation of this Policy shall therefore be through steady and deliberate efforts from the Government, Operators, and the stakeholders within the private sector working together with unity of purpose to ensure the accomplishment of the objectives of this Policy. This, together with good governance will achieve long –term growth and diversification in the economy and a sustainable development of the petroleum upstream industry.

Operators will be required to submit a "Local Content Plan" as part of the process for being granted exploration and production licences which will occur at the point of negotiating the petroleum agreement. The Ministry of Mines and Energy in its capacity as a Regulator for the petroleum sector will be responsible for monitoring compliance and enforcement of Local Content requirements.



1 Introduction

The Government of the Republic of Namibia (GRN) recognizes that the petroleum sector can become an important vehicle for economic development where good governance and policies exist. However, the GRN also recognizes that despite the possible benefits to the economy of such developments, petroleum resources do not automatically confer wealth on the people of the host nations where they are found. Although the petroleum industry can generate much wealth, such wealth does not typically spread through the host nation's economy as readily as that created by other industries.

Extraction of petroleum resources typically requires significant investments of capital, technology, and expertise. Namibia, as a host nation starting to develop its petroleum resources lacks some or most of the instruments to undertake such investments (including, for example, suitably qualified local expertise and locally produced goods), forcing the country to rely on outside support from foreign or international companies for these. This, in turn, can create social and political unrest in the host nation as wealth from the emerging petroleum industry may end up in foreign hands more readily than benefitting Namibia and her people.

Through the indigenisation of knowledge, expertise and technologies, the overall goal of the petroleum sector is to ensure the exploration and successful development of the country's petroleum resources for the benefit and welfare of all Namibians. The petroleum licence conditions require the use of local Namibian service providers, and this is part of the reporting obligation of the licence. It is therefore important that Namibia puts appropriate policies in place to capture and retain the value created from petroleum resources, including through a focus on local content and equity participation.

STRUCTURE OF THE POLICY

The National Upstream Petroleum Local Content Policy provides a framework to maximise value to Namibia from the development of the petroleum sector and outlines the Government's expectations on how Namibians will participate and benefit from activity in the sector.



Part 1 provides the background within which this policy was introduced in order to address the unique challenges facing the Namibian economy and its citizens in this highly capital intensive and technical industry. It further sets forth reasons as to why there is a need to adopt this policy and links it to other developmental policies seeking to achieve the same goals. Part 2 of this policy sets forth the guiding principles, vision, mission, and goals. Part 3 of the Policy identifies and explains the key policy objectives and strategies. Part 4 of the Policy describes the high-level framework within which the policy will be implemented.

2 Background

Petroleum exploration activities by international oil companies (IOCs) resumed immediately after independence in 1990 with first licensing round being held in 1991. While licensing rounds were successful in attracting IOCs to Namibia, it turned out to be less effective under low crude oil prices market conditions, particularly those prevailed during the late 1990s. And so, the five-year period licensing rounds were ceased in 1999 when the country adopted an open licensing system as an alternative to bidding rounds. Currently, several international oil and gas companies carry out exploration activities through joint venture arrangements with one another and/or together with National Petroleum Corporation of Namibia Ltd, (Namcor).

Overall, a total of 22 oil and gas wells have been drilled offshore Namibia, 19 of which since independence. These comprise 15 exploratory wells and 7 appraisal wells in the Kudu gas field area. In addition, 10 exploratory wells have been drilled onshore. Presently, offshore 2D seismic survey coverage stands at about 147 000 line kilometres, and more than 40 423 km² of 3D seismic data has been acquired by license operators. After several years of extensive exploration, Namibia realised two first oil discoveries. The first discovery was made in early 2022 by Shell, QatarEnergy and Namcor in the deep-water well in the Orange Basin, offshore southern Namibia. Thereafter TotalEnergies, QatarEnergy and Namcor followed with another significant discovery of light oil with associated gas on the Venus prospect, located in the Orange Basin, offshore southern Namibia.



As a result of the recent discoveries, it is important that Namibia adopts a policy that will clearly define local content and set out clear and comprehensive plans on local content in order to ensure that Namibians benefit from their natural resources. The recent discoveries will be beneficial to the Namibian economy as Royalties and Taxes will be paid to the government and by creating employment for Namibians. Furthermore, the licence holders will be placed under an obligation to procure goods and services from Namibian companies, therefore creating an enabling environment for Namibian companies to participate in the sector and maximizing benefits for the government.

The upstream petroleum sector is a high risk, capital intensive, technologically driven enclave sector with very long investment horizons. The search for hydrocarbon resources (exploration phase) can take several decades before it yields significant discoveries and includes the acquisition and interpretation of geological data (e.g. seismic surveys) and the drilling of exploratory wells, which if successful, is followed by appraisal wells and various technical assessments to determine economic viability. When there are commercial discoveries, the building of infrastructure and facilities to process and export petroleum (development phase) from a field can take 5-10 years for oil and can be materially longer for gas (due to associated commercial complexities). The duration of the production period depends significantly on the amount of the resource that has been discovered and can vary significantly ranging from 20 to 50 years or more.

Undertaking an exploration programme, requires specialist knowledge (e.g. subsurface drilling) and depending on the scope can exceed US\$100 m, with costs increasing significantly if activities are offshore. Development costs can easily amount to billions of US dollars and require very specialist technical expertise (e.g. geologists, petroleum engineers, facility engineers) as well as equipment (drilling rigs). These technical and financial requirements represent high barriers to entry, particularly for developing countries, and results in high levels import content for these specialized goods and services with relatively low levels of local employment. This “enclave” nature of the petroleum sector means there is very limited linkage with the domestic economy and the sector tends to operate independently of other economic activity in the country. These characteristics present unique challenges for the sector to contribute to a country's economic development. In response,





many countries have developed policies to overcome these challenges and increase the benefits from the development of finite petroleum resources. These are often referred to as “local content” or “in-country value addition” policies. Over time the approach to local content has evolved from a fairly narrow view of corporate social responsibility towards a more holistic view of the economic value that can be added to the national economy through expanding the value chain within the country (backward, forward and sideways linkages) as well as increasing the way nationals participate in the industry. Successful economic transformation requires a careful assessment of where the value accretive activities within the sector are and a targeted approach to developing them in country. Local-content policies have thus become a key priority of host governments and industry players alike. Rationale

Since independence, Namibia has not adopted any single policy related to local capacity building in the petroleum sector. The country's hydrocarbon potential is estimated to be between [300 - 500] billions of barrels of oil equivalent and recent exploration activity has shown some positive signs. It is therefore necessary for Namibia to adopt a policy that will set out clear and comprehensive plans on capacity building for all Namibians as well as to allow the sector to contribute to the economy. The policy is therefore aimed at assisting Namibia to better manage its resources and ensure that Namibians benefits by creating backwards and forward linkages.

It is globally accepted that one of the major requirements to ensure that petroleum resource management produces good outcome is core policies. As this is the Policy's Rationale, we believe that the outcome will be the better management of petroleum resources, employment creation, capacity building and the use of Namibian goods and services.

3 Alignment

This policy is a tool to develop the capacity of Namibians to participate strategically in the petroleum sector. This aligns with the broad objectives of **Vision 2030**, which provides for capacity building to be pursued with the utmost vigour by both public and private actors. This policy further aligns with the **Harambee Prosperity Plan (HPP)** which seeks to provide support for the establishment





of local production capacity [downstream inputs and supplies] in targeted industries as well as supporting efficient, inclusive, and sustainable local sourcing schemes.

In addition, the policy aligns with **Namibia's 5th National Development Plan (NDP 5)**, which seeks to Achieve Industrial Development through Local Procurement. The Growth at Home Strategy of NDP 5 encourages the public and private sectors to buy local products. This will benefit the economy in many ways including reduction in import bill, improved balance of payments and employment creation.

The Petroleum (Exploration and Production) Act 2 of 1991, under Section 14 makes provision for the license-holder to employ Namibian citizens who possess appropriate qualification and to make use of products, equipment and services which are available in Namibia. The same provisions are also found in the **Model Petroleum Agreement** under Clauses 22 and 23, which forms the contractual basis between the GRN and the successful licence applicant

This policy further aligns with the **National Energy Policy** whose objective is premised on creating opportunities to increase the share of local content providers throughout the Namibian energy industry and to promote local participation in the Energy sector's multiple value chains.

This local content policy is meant to ensure that the upstream petroleum sector contributes to the goals of the above policy instruments. It is there to develop the capacity of Namibians to participate strategically in the petroleum sector. To this end, a Local Content Plan will be developed which allows the International Oil Companies (IOCs) to transfer their technology, knowledge, and skill as well as increase value addition to the country.





4 Guiding Principles

The Government commits to ensuring that activities and decisions regarding the local content policy will be done in accordance with the following principles:

- **A progressive approach focused on areas of highest impact**

The Government recognises that policies designed to increase local content must take into account the sustainability of the sector and a phased approach is imperative for success. The policy must offer flexibility to respond to changing circumstances such as geological risk and market conditions.

The Government appreciates that local capacity will need to be developed for effective participation and will identify and prioritize strategic sectors for development. The Government expectation is that as human and physical capital is developed, and the local businesses are better prepared to participate in the petroleum supply chain, local content requirements will increase progressively. The Government recognizes that local participants will have to be competitive as economic efficiency in developing resources is a critical pre-requisite for maximising the net benefit to Namibians.

This policy commits to employ a combination of prescriptive legal measures and non-prescriptive approaches such as performance targets, economic instruments and negotiated agreements to facilitate its implementation.

- **Resolute health, safety, labour, and environmental standards**

Given the risks associated in the petroleum sector and the potentially devastating impacts when not managed effectively, the Government is relentlessly clear that all participants in the industry will be held accountable to environmental laws and international best standards practices. As such, the pursuit of local content will not be at the expense of quality, health, safety, labour, and environmental standards.

- **Intergovernmental and industry partnerships**





The Government recognises that a vibrant and efficient petroleum sector requires effective partnership between the State and Investors. A clear and predictable regulatory, legal and fiscal environment that provides for the transparent and fair treatment of investors will continue to remain a feature of the sector in Namibia. In pursuit of profitable, sustainable, and optimal resource extraction, it is expected that the sector will be driven by the private sector. Strategies and actions developed in furtherance of increasing the participation of Namibians and value addition to the country will be undertaken in a spirit of cooperation and coordination amongst stakeholders.

- **Transparency and Accountability.**

Modern principles of transparency and accountability will be applied to all aspects of the design and implementation of this policy. It is recognised that without appropriate checks and balances in the system, poorly designed local content policies can inadvertently lead to non-compliance, value leakage and rent seeking activities. For example, efforts in this space will include transparency in licencing process, contract awards and beneficial ownership. It will also seek to minimise rent-seeking opportunities by avoiding unrealistic targets and ensuring a transparent decision-making process.

- **Upholding international best practices.**

The Government resolves to apply international best practice in the governance of the petroleum sector and in the maximisation of value addition to the people of Namibia. This will require engaging with others to learn from their experiences as well as remaining current with industry challenges and responses. Specifically, with respect to local content development, the Government will adopt best practice in implementing measures for increasing local value addition.



5 Policy Direction

5.1 Vision

An internationally competitive upstream petroleum sector in Namibia that maximizes the benefits to the country from its petroleum resources through meaningful and sustainable participation by citizens and local companies across all areas of the value chain.

5.2 Mission

This policy lays the 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, companies, ownership and financing along the value chain.

5.3 Goal

This policy supports the development of local expertise in the upstream petroleum sector, by enabling the development of internationally competitive Namibian workforce and companies in the upstream petroleum sector to participate in a meaningful and sustainable way across the value chain and supporting NAMCOR becoming a world class upstream operator.



6 Policy Objectives and Strategies

This Local Content Policy lays the 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, companies, ownership and financing along the value chain.

The National Upstream Local Content Policy objectives are to:

1. Provide a clear and stable regulatory framework for Local Content requirements
2. Identify specific sectors for the development of local capacity
3. Maximise employment and development of Namibians
4. Maximise the participation of local suppliers along the value chain
5. Ensure the transfer of technology, knowledge and skills
6. Promote Namibian ownership and financing at all levels of the sector

6.1 Strategies

The strategies of this policy are set forth herein under to explain how the objectives will be implemented.

3.1.1 Providing a clear regulatory framework for local content requirements

The Government of Namibia shall provide a clear and stable regulatory framework for local content so that investors understand Government's objectives and can support local content development.

In formulating the regulatory framework to support the policy, there is a choice as to whether specific targets are used or whether they are set as "soft targets". The Government is clear that the use of prescriptive targets should be done with care and should be matched to country capability to avoid unrealistic expectations and inefficiencies. At the present time, Namibian's petroleum sector does not justify such an approach. The regulatory framework should, however, provide





flexibility for the introduction of such when appropriate. Any move towards legislated specific targets will be based on empirical assessment, consistent with international practice and will be done on a graduated basis after consultation with the industry.

The regulatory framework's use of standard definitions and reporting templates improves transparency, ease of administering and lends itself to effective monitoring and benchmarking of implementation across companies.

Strategies:

- 1) Clearly define local content and what it entails
- 2) Review and update existing regulatory framework to ensure that local content requirements are in line with the country's best interest and international best practices.
- 3) Ensure that local content development is a criterion for the award of Permits, Licences and Contracts.
- 4) Ensure that local content requirements are also applicable to subcontractors.
- 5) Require the submission of an annual local content plan as a requirement for holding a Licence.
- 6) Ensure there are strong, adequately resourced institutions to effectively develop, monitor and enforce local content requirements as the industry evolves.
- 7) Require public disclosure of beneficial ownership and shareholding structure on companies bidding for oil and gas contracts.
- 8) Develop standard reporting templates and guidelines for reporting local content.

3.1.2 Identification of specific sectors for the development of capacity

The potential for local content varies during the lifecycle of the industry as it is capital intensive, technologically driven and the inputs used at various stages (exploration, development, production) can be quite different and usually sourced via global supply chains. As such, the petroleum sector is typically characterised by a high dependence on foreign labour and companies given the capital, specialist skills and experience required and the limited availability of such in local labour markets.

As a frontier region, specialist skills in Namibia is fairly limited and activity is relatively small. However, if large discoveries are made there could be significant ramp-up of activity





and associated demand for skills, goods and services – many of which would be new to Namibia. The development of the workforce needs to be done in parallel with the progress of the industry to avoid a situation of either significant skills shortage or the development of excess labour force without demand. Addressing this issue will require co-ordinated joint efforts by the industry and government to address existing and future skills deficiency.

To maximise the benefits from the country's hydrocarbon resources, a strategic approach to the development of the local market to supply the sector must be at the heart of Government's approach. Successful implementation will require developing the 'right' capabilities in order for individuals and companies to participate in the sector. This will require an assessment of the capacity gaps at the present time (i.e. the existing "state of play") as well as consideration for the scenario where large discoveries are made. Such analysis should lead to an understanding of which skills are needed immediately but also which areas, if any, are worth pre-investing and developing capabilities for the future – especially if skills are transferable to and or complementary with other sectors (e.g. logistics, mining).

The policy will also have to be aligned with the broader industrialization strategy and existing initiatives to avoid duplication and ensure a consistent and coherent approach. This will require a coordinated effort amongst government entities, ministries and agencies responsible for related issues such as education, employment, environment, anti-corruption, innovation, industrial development, natural resources, planning, trade, transport and infrastructure.

The key is to understand the nature of the opportunity for Namibians – which specific products/services or sectors can be targeted and over what time horizon (e.g. based on specific triggers). Diagnostic studies to identify strategic sectors and activities in the petroleum industry as well as where there are linkages with other sectors in the economy will be undertaken. The GRN will ensure that there is targeted development of local capabilities in these areas that should ensure coherence between local content requirements and the pace and scheduling of the petroleum sector's activities.





- 1) **Strategies:**In collaboration with industry, academic & vocational training institutions and other stakeholders conduct appropriate studies to identify strategic sectors for targeted capability building of local firms to supply the sector including financial and support services.
- 2) In collaboration with industry, academic & vocational training institutions and other stakeholders conduct appropriate manpower studies to identify the current and future skills/competence gap for targeted training and development of individuals.
- 3) In the event of material discoveries, evaluate the potential for providing local training centres vs. leveraging regional facilities.
- 4) Ensure coordination amongst government entities across sectors to identify sub-sectors/activities with greatest impact to the nation.

3.1.3 Maximising employment and development of Namibians

The Government of Namibia recognizes that total direct employment opportunity from the petroleum sector is not as significant as in other sectors. Notwithstanding this, the Government resolves to maximise the employment opportunities that do exist for Namibians and will focus on ensuring that Namibian citizens can effectively participate in the sector.

The Government is committed to ensuring that Namibia has an adequately trained workforce to supply the industry. A comprehensive review of the current and expected manpower demand will be undertaken which will inform focussed development of particular expertise including vocational skills. Targeted and measurable efforts shall be made for the training programmes intake to be representative of Namibian society, with particular emphasis on gender and previously disadvantaged persons.

The Government expects participants in the sector to recognise that employing Namibian citizens is important in meeting the development needs of the country and that their actions in the space of recruitment, training and development should reflect such.

The current regulatory framework stipulates preferential employment of Namibian citizens having appropriate qualifications and is consistent with perhaps the most popular measure of local content - the number of nationals employed as a proportion of total full-time equivalent (FTE) employees. Whilst easy to compute and monitor, this metric does not provide information on the





extent to which nationals are able to progress in terms of career development, or the magnitude of local employment share of benefits (professional and managerial salaries being higher paying than unskilled positions). The Government will therefore also include additional perspectives such as skills (management /core technical/unskilled) and gender groupings.

The Government will require that Namibian citizens fill all unskilled jobs and that over time there is an increased representation of Namibians in professional technical and managerial positions. In the event of significant discoveries, a realistic phased approach for managerial and technical positions will be taken in collaboration with industry and other stakeholders. In addition, measures will be taken to mitigate against any practice in contravention of or against the spirit of this policy and specifically preventing fronting.

The Annual Local Content Plan will include a Human Resources section to encompass recruitment, training and development and must be guided by the principles of NEEF under its Management Control and Employment Equity pillar as well as its Human Resources and Skills Development Pillar. This will be the primary mechanism for monitoring and enforcing local content requirements associated with the labour force.

- 1) **Strategies:** Actively implement current legislation that stipulates that employment opportunities are publicly advertised, and preference is given to Namibian citizens who possess appropriate qualifications.
- 2) Ensure that meaningful training and development of Namibian citizens is a requirement for operating within the sector.
- 3) Use Training & Development contributions to fund targeted skills development.
- 4) Require the submission of an annual local content plan (as a requirement for holding a Licence) which will include a Human Resources section to cover recruitment, training and development of Namibians.
- 5) Ensure that there is co-ordination between the petroleum sector regulator and other agencies with respect to the recruitment of expatriates.
- 6) Ensure appropriate mechanisms are in place and effectively monitored to accelerate the transfer of skills and knowledge. These shall include but are not limited to mentorships, understudies, succession plans and secondment programmes.





3.1.4 Maximising the participation of local suppliers along the value chain

The Government will seek to promote strong economic linkages to local suppliers of goods and services. In order to achieve this, the Government will utilize a targeted approach for the procurement of local goods and services in accordance with the Entrepreneurial Development Pillar and the Value Addition, Technology and Innovation Pillars under NEEEF.

Efforts will initially be on specific subsectors with limited technology and investment barriers, focusing on products and services that are already produced or can be produced. As the sector and local capability develops, and as appropriate, government will also support the expansion into more areas of the supply chain. This will be done in a manner that promotes competition and the emergence of an efficient domestic supply chain.

The Government expects, and will require, participants operating in the petroleum sector to actively support the development of local providers of goods and services.

The Government also expects and will require all participants in the sector to adhere to internationally accepted standards of health, safety, labour, human rights and environmental protection.

To enhance the competitiveness of local firms, there will be deliberate efforts to create partnerships with experienced companies in order to maximise knowledge and skills transfer.

The Annual Local Content Plan will include a section on procurement and will be the primary mechanism for monitoring and enforcing local content requirements and efforts associated with developing and use of local companies.

Strategies:

- 1) Ensure that legislation stipulates preference for Namibian suppliers of goods and services which are on competitive standards and terms.
- 2) Require the submission of an annual Local Content Plan (as a requirement for holding a Licence) which will include a Procurement section to cover development and participation of local firms.
- 3) Require contracts to be unbundled, as much as economically and practically feasible, to match the timing, and financial and human capabilities of local enterprises.





- 4) Require contracts to also be advertised locally (where appropriate) ensuring access of local enterprises to all tenders.
- 5) Require tender evaluation processes to place a weighting on local value-added.
- 6) Facilitate information sharing on procurement practices and standards to local providers, where appropriate.
- 7) Require the Regulator to maintain a database of local pre-qualified suppliers.
- 8) Encouraging the formation of partnerships, joint ventures and other commercial arrangements to maximize knowledge transfer from experienced companies to local enterprises. These arrangements will be subject to local law.
- 9) Facilitate the access to financial services for local firms with particular support to SMEs.

3.1.5 Ensuring the transfer of technology, knowledge and skills

The transference of technology and knowledge is in itself not an end, but the means to allow Namibian citizens and local companies to participate in a meaningful way in the petroleum value chain as the sector is characterised by its technological complexity. The Government, therefore, sees it as an important aspect to realising and delivering value to Namibia.

There are explicit policy measures contained within that are aimed at fostering the transfer of knowledge to the local workforce (Objective 3) and local businesses (Objective 4). In addition to these, the Government also expects that in so far as practically possible all efforts will be made to deploy and develop facilities, technology, research, and development in country to promote and accelerate the development of Namibian citizens and local companies.

- 1) **Strategies:** Seek Research and Development opportunities in consultation with the industry and local education institutions (e.g. vocational institutions).
- 2) Encourage the use of exchange programmes to accelerate knowledge transfer and building "know-how" amongst government agencies as well as within companies.
- 3) Require operators to disclose efforts in technology and knowledge transfer in the annual Local Content Plan.

3.1.6 Promoting Namibian ownership and financing at all levels of the sector

In contemplating means for Namibian participation in the ownership of companies, the Government recognizes the capital intensity, inherent uncertainty, volatility of the petroleum sector





and the impact this has on companies' financial performance. In addition, as the sector is relatively new, participants may not be aware of potential opportunities or specific industry requirements. The Government resolves to promote activity such that Namibians' equity participation is sustainable through the inevitable market fluctuations and cycles. This requires a thoughtful and long-term approach.

A company will be considered "local" if it is incorporated under the laws of Namibia, with at least 51% of its equity held by citizens and whose principal place of business is in Namibia. In assessing the level of compliance with the local participation requirement, specific care will be taken to mitigate and guard against the practice of fronting.

Concerning ownership of upstream acreage (i.e. working interest in licenses), bearing in mind the capital and technological requirements, as well as the associated risk/reward profile, the Government will seek to promote NAMCOR as the key vehicle for participation. As such, the Model Petroleum Agreement and legislation will expressly provide for NAMCOR's right to participate in each licence, through a negotiated carried interest. Additionally, the Government mandates for minimum levels of participation by local companies in each license, also through a negotiated carried interest.

Significant efforts will be made to encourage and support local investors to actively participate in the sector's development along the supply chain. Government will undertake collaborative analysis to ensure that targeted clusters are identified, and support is provided for these clusters under existing channels, for example, the Ministry of Industrialisation and Trade (MIT), Business Incubation Processes and the Small and Medium Enterprises (SME).

Access to finance is a common barrier for local firms to participate in such a capital-intensive industry. Whilst efforts will be made to address this issue within existing national initiatives, the Government also recognizes the relative immaturity of the Namibian financial sector and will continue to look at international best practice to identify innovative structures that can be implied in the national context.

The Government will also seek opportunities within the sector to enhance the financial markets.





- 1) **Strategies:** Ensure that NAMCOR has an exercisable option to participate in upstream activities.
- 2) Ensure Namibians' equity participation in companies involved in petroleum operations, including promotion of joint ventures and other ownership arrangements between local and foreign firms.
- 3) Promote innovative structures and financing mechanisms to support local businesses in the sector.
- 4) Develop measures to support and nurture investments in the sector by local SMEs.



7 Implementation Framework

This section describes the high-level framework within which this policy will be implemented. This Policy is intended to guide developments in key areas associated with increasing value to the local economy and is envisioned to be a long-term document. The Government will monitor global and national developments and will undertake reviews of this Policy as required. The policy recognises that the industry is still in its early stages in Namibia and many pre-conditions for successful implementation of local content measures do not yet exist. It therefore importantly provides a framework that addresses all key levels for increasing value to Namibia and is envisioned to be applicable in the current exploratory phase and also in the event of major discoveries. It has been developed through a consultative process with key stakeholders and incorporates lessons learnt and international best practices adjusted as appropriate to country conditions.

7.1 Institutional Arrangements for Implementation

To ensure the effectiveness of the Namibian Local Content Policy (LCP) Framework, it must be complimented by clarity on responsibilities for execution and appropriate resources for implementation and monitoring.

The Government is committed to incorporating the various aspects of developing local content into existing institutions rather than the creation of new agencies, as it holds the view that this is efficient and will aid in the sustainability of efforts. The key institutions include MME, PETROFUND, The Ministry of Environment, Forestry and Tourism, National Planning Commission, Academic & Research Institutions, NAMCOR, Private Sector, the Community, and the Media.

Institution	Roles
Ministry of Mines and Energy (MME)	<ul style="list-style-type: none"> - implementing the Local Content Policy. - supervise, coordinate and monitor the implementation of this policy. -To enforce Acts and Regulations - Compliance and enforcement of local content requirements.





Petroleum Training and Education Fund (PETROFUND)	-PETROFUND was formed to build capacity for the Petroleum Industry and to ensure the Petroleum Industry is sustained by competent Namibians. Their role will be to award scholarships and bursaries to Namibian students to study petroleum related subjects with contributions obtained by oil companies.
Ministry of Environment and Tourism	-Responsible for promoting the sustainable management of the environment and the use of natural resources. It serves as the environmental regulator for all activities impacting on the environment in Namibia.
Ministry of Finance	-Responsible for the collection and administration of petroleum revenues. It is also responsible for all activities that cannot be funded from other sources.
National Planning Commission (NPC)	-The NPC is overall responsible for managing and monitoring the implementation of government policy, and therefore exercises oversight over the MME's implementation of this Policy.
National Petroleum Corporation of Namibia (NAMCOR)	-To acquire participating interest in each license issued in the upstream activities at a percentage as may be determined. -NAMCOR is responsible for the implementation of activities that fall within its designated mandate, including additional mandates that may be added through this and other policies.
Operators and Investors (Private Sector)	-The Operator and Investors play an important role in the implementation of the policy. -Operators will be required to submit a local content plan which will include a Human Resources section to cover recruitment, training and development of Namibians. - Investors will continue to work with the Government to promote, build capacity and facilitate joint ventures or other arrangements in the oil and gas value chain.
The Community	-Communities have a great opportunity to participate in activities related to oil and gas operations. The community needs to be provided with information in order to participate fully in the petroleum sector.
The Media	-MME has realised that the media plays an important role in disseminating correct information to the public. The Media need to strengthen their capacity in understanding the local content issues and the risk involved in the petroleum industry. This will increase public awareness and involvement, transparency and

	accountability on matters pertaining to local content in the oil and gas industry.
Academic and Research Institutions	These institutions will work with Government and the private sector to promote education, training and research in the oil and gas industry, recruitment and retention of the human resources required in the industry

In the event of commercial discoveries, the Government shall constitute a temporary Local Content Committee to ensure that there is a strategic approach in line with this framework and to manage expectations. The Local Content Committee shall be comprised of competent and able public and private sector stakeholders that may include:

- Namibia Government relevant Ministries, Departments and Agencies;
- Non-Governmental Organizations
- Representative of Petroleum industry Operators, Non-Operators, Contractors and Sub-contractors; and
- Representatives from the Private Sector

The role of the Local Content Committee will than usurp the powers of the MME to supervise, coordinate and monitor the implementation of this policy; coordinate with the private sector to enable Namibians to take advantage of the available opportunities.

7.2 Legal and Regulatory Arrangements

Activity in the upstream petroleum sector is to be conducted in compliance with the regulatory framework as provided under the sector specific instruments listed below and all other applicable laws.

4.1.1 Petroleum (Exploration and Production) Act, 1991 as amended- The Act makes provision for the reconnaissance, exploration, production, and disposal of, and the exercise of control, petroleum; and to provide for matters incidental thereto. Any such licence is issued under the Act and applications for these licences must conform to the requirements of the Act.

4.1.2 Petroleum (Exploration and Production) Regulations, 1991- The Regulations define the responsibilities of operators in the field of petroleum exploration and exploitation for health, safety and welfare of persons employed or performing work and the protection of the environment and natural resources in respect of any area where petroleum activities are carried out.

4.1.3 Model Petroleum Agreement- In terms of Section 13 of the Petroleum Act, the Minister is required to enter into a petroleum agreement with an applicant for a petroleum exploration licence before such licence is granted. The Model Petroleum Agreement serve as a basis of negotiation with applicants for exploration licences.

These legal instruments are being revised as part of the Government's efforts to strengthen the regulatory framework and reflect international best practices in sustainable development of petroleum resources. As part of that process, the Government aims to embed the appropriate elements of this policy into the relevant instruments.

In the event of material discoveries, the Government will introduce phased targets for the use of Namibian employment and companies. These targets will be informed by an Industrial Baseline Study as per policy objective 2 and introduced via amendments to the regulations.

7.3 Resource Mobilisation

The mobilisation of resources required to implement the LCP is likely to proceed using a variety of channels and approaches, of which the main options and responsibilities are:

FUNDING SOURCE	ENVISAGED APPLICATION	MAIN RESPONSIBILITY
PETROFUND	Use Training & Development contributions to fund targeted skills development.	PETROFUND
Government Budget	All activities that cannot be funded from other sources	MME in consultation with the Ministry of Finance
Private Sector	Private sector to contribute to the capacity building of Namibians	MME in consultation with the private sector

7.4 Monitoring and Evaluation framework

The Ministry of Mines and Energy (MME) as the ministry responsible for energy matters in the country is the custodian of this Local Content Policy (LCP). In its capacity as regulator for the petroleum



sector, the MME will be responsible for monitoring compliance and enforcement of local content requirements.

Monitoring and evaluation of the LCP is to be based on the Implementation Plan (see Appendix) and will, from time to time, be further elaborated in the MME's strategic plans. If there are material discoveries made, the Implementation Plan will be revised to reflect findings from the Industrial Baseline Study (IBS).

This policy and the revised legal framework require each operator to submit a "Local Content Plan" as part of the process for being granted exploration and production licences. This will occur firstly at the point of negotiating the Petroleum Agreement (for the award of exploration licence) and if a discovery is made, as part of the Field Development Plan (for the award of a production licence). The Local Content Plan will be required to address each of the policy objectives and when approved by the MME, will provide the basis for ongoing monitoring and evaluation of each operator/licensee's progress against commitments made. The Local Content Plan is thus an integral aspect of monitoring and evaluating the impact of the policy.

7.5 Advocacy and Dissemination

The MME is responsible for the dissemination and communication of this Policy, and the facilitation of all advocacy activities associated with it. A launch of the Policy will be held, where key stakeholders will be invited, and it will be publicised through various platforms. Furthermore, the MME will regularly communicate the outcomes, achievements and progress made in reaching the policy objectives.





8 Conclusion

The National Upstream Petroleum Local Content Policy lays the 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, companies, ownership and financing along the value chain. In enhancing these strategies, the relevant aspects of the Local Content Policy have also been incorporated into the revised Petroleum (E&P) Act and Model Petroleum Agreement. This incorporation into the legal framework is critical to ensure consistency and accuracy. The Policy is designed to be flexible to accommodate any reviews should the need arise.





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