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Namibia and Guyana, Exploring the Parallels between the two awaking Giants

In 2015, Guyana uncovered an offshore oil reserve in the Stabroek block on Guyana's coast. This colossal discovery has the potential to alter the course of Guyana's development completely, and there is great optimism that this rare chance could turn one of the least prosperous nations in the Caribbean into one of the wealthiest. Since its discoveries, Guyana has tripled their GDP and according to the IMF, it is anticipated to be 62% for 2022.

The first production from the Liza 1 well situated in the Stabroek Block occurred in 2019, indicating that the duration between first oil and production was around four years. As of December 2022, it is anticipated that recoverable amounts discovered will be 11 billion barrels of crude oil, and 11 trillion cubic feet of associated gas. Production is expected to likely climb to 1.2 million barrels per day by 2027 with the estimated amount of 6 additional FPSOs (Floating Production Storage and Offloading vessel) added to the two FPSOs that are currently producing. The Stabroek Block is operated and led by Esso Exploration and Production Guyana Limited, an affiliate of ExxonMobil, and they own 45% of the interest. Hess Guyana Exploration Ltd. Holds a 30% interest, while CNOOC Petroleum Guyana Limited owns a 25% interest.

Like Guyana, in 2022, Namibia became the world's most prolific prospect with multi-billion-barrel discoveries. Two potentially giant discoveries, Shell's Graff and TotalEnergies' Venus adjacent finds are located in the deep waters of the Orange Basin. Further, Shell announced a successful drilling campaign in Jonker well, and Chevron recently farmed into Namibia. Meanwhile, BW Kudu, Galp, and Rhino resources are expected to conclude their 3D seismic, while Galp plan to spud before the end of the year. Venus alone is expected to have a few billion barrels of oil equivalent resources, with predicted large volumes of associated gas. According to Woodmac, Jonker is expected to be valued at around US$915 million to US$3.4 billion. These discoveries offer a future for Namibia similar to Guyana's. It took 17 discoveries in the world-class Guyana basin to yield what Namibia has in 3, and we expect initial oil production may lead to substantial GDP growth in Year 1 of production.

After a visit to Guyana earlier this year, there were a few stand out policies and strategies which we witnessed that Namibia could implement to replicate Guyana's oil industry success:

The Government of Guyana have established a statutory Local Content Act (Namibian Local Content Policy for the Petroleum sector is in currently in its draft stage). The objective of the Local Content Act in Guyana is to prioritize the use of goods and services provided by Guyanese nationals and Companies in the petroleum value chain, while promoting competitiveness. The Local Content Act in Guyana identifies 40 specific areas where local participation is expected to meet minimum targets. A Local Content Secretariat oversees and evaluates companies' performance in meeting these goals. In addition, to assist companies in finding local talent, the Act permits the creation of a Local Content Register containing information on local skill sets and competencies.

The importance of Local Content is highlighted as a critical aspect of Guyana's agenda for structural transformation, which aims to create jobs, transfer knowledge, and build a diverse and complex economy. The Act also encourages local and foreign companies to work together to achieve technically sound oil and gas services that are internationally competitive and aligned with industry best practices.

A Local Content Act would require companies operating in Namibia's petroleum sector to prioritize the employment and training of Namibian citizens. In addition, with the appropriate legislation in place, foreign companies would be legally mandated to transfer skills and knowledge to Namibian workers, helping to develop the country's workforce and increase local expertise.

A Local Content Act could help to develop and strengthen Namibia's local supply chain and reduce the supply chain risks as it would require companies to give preference to local companies for procuring goods and services. This preference will reduce operational costs by eliminating the need for costly imports, creating opportunities for small and medium-sized businesses and promoting economic diversification.

The Oil and gas sector must be used as a catalyst to develop and incentivize other sectors of the economy. To put this in Guyana's context, the growth in the non-oil economy is currently 11.5%. By ensuring that a significant portion of the revenue generated by the petroleum sector remains in the country, a Local Content Act could help to increase government revenue and support national development priorities outlined in National Development and Harambee Prosperity plans.

Overall, a Local Content Act could help to promote Namibia's economic development and ensure that the benefits of its petroleum sector are shared more widely across the country. For example, in Guyana, it is estimated that the 40 designated areas will have generated approximately USD700 million in extra business activities by the end of 2022.
Namibia currently imports about 70% of electricity from neighbouring countries, South Africa, Zambia, and Zimbabwe. All 3 of these countries are facing power shortages and load shedding. Under Namibia's Modified Single Buyer market, the Kudu gas project could be a fix to a long-term solution for self-sufficiency. BW Kudu aims to start producing power in 2026, with the first phase producing 420 MW. As a transition fuel, this project has the potential to reduce CO2 emissions by replacing imported electricity from coal-powered plants and will act as an enabler for renewable electricity. With the high renewable potential of Namibia, it is essential to diversify energy sources, and revenues gained from these oil and gas developments can be used to accelerate alternative energy developments as we have seen the large investment gap in funding renewable energy.

A sovereign wealth fund (Welwitschia) is one of the many aspects which should be closely looked at as it is critical to avoid any possible negative turn for the economy and those entrusted should be held accountable. Funds from the wealth fund can be used for much needed improvement of social services, infrastructure development, and saved for negative shocks in the economy. One of these examples are the Natural Resource Fund (NRF) of Guyana which is expected to earn US$1.6 billion in revenue from oil and royalties in 2023 after receiving more than US$ 300 million in the first quarter alone. These funds are held in an interest bearing account at the New York Federal Reserve Bank, where every cent is accounted for and use of the funds is publicly available.

For us as a country to fully flourish, Namibia needs ensure that its oil and gas sector is transparently governed and regulated to promote responsible resource development and protect the interests of all stakeholders. Furthermore, as an emerging country, Namibia can benefit from the experiences of such countries in developing best practices for managing petroleum resources and creating good governance model frameworks.