CASE STUDY: POLICY DIALOGUE ON JUST ENERGY TRANSITIONS 2.0

Oil in Namibia: Economic Opportunity or Overstated Potential?

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About the case study

This publication was commissioned by Climate Strategies to support the **Policy Dialogue on Just Energy Transitions 2.0: Identifying Pathways to Prosperity Post-Fossil Fuels** (PPFF)**.** This is a multiannual dialogue convening policymakers, researchers, and practitioners from oil and gas (O&G) producing and consuming countries to build mutual trust, explore shared interests, and address barriers to just energy transitions. The views expressed in this report do not necessarily represent those of the project partners or the dialogue participants.

As part of the dialogue, Climate Strategies commissioned a lead report as well as five case studies exploring the implications of demand decline for O&G exporter countries, and providing policy recommendations to support domestic just energy transitions across Brazil, Canada, Malaysia, Namibia, and Nigeria. Find out more here.

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1. Introduction

Namibia – a sizeable yet sparsely populated southern African nation – is somewhat of an outlier in the context of oil and gas exporter case studies. To date, the country has not joined the ranks of fossil fuel exporters. Nevertheless, many industry observers hold that Namibia is edging closer to producing significant quantities of commercial oil by 2035.[1] Numerous analysts highlight the transformative socioeconomic potential for the country that is entailed by such a scenario. However, sober and in-depth public discussions regarding the risks and consequences of becoming a fossil fuel exporter have yet to be held.

1.1 Context of the domestic O&G sector

The arid country, located on Africa's West coast between South Africa and Angola, has seen oil and gas exploration efforts since the late 1960s. Exploration by Chevron in the mid-1970s resulted in the discovery of the Kudu gas field located approximately 130km offshore of southern Namibia. However, exploration activities only intensified from around 2010 onwards. Recent offshore discoveries have been announced in the Orange Basin close to the maritime border with South Africa.

Renewed interest in the country's offshore oil and gas potential was brought about by several factors, including higher global oil prices and advances in deep-sea drilling tech.[2] Oil majors and their venture partners (VP) have to date announced the discovery of three promising deep-sea oil and gas reservoirs off Namibia's coast linked to multiple exploration wells. Shell announced an "encouraging" find in February 2022[3] – followed by subsequent discoveries in 2023.[4] TotalEnergies and partners also announced significant oil discoveries in early 2022.[5] Finally, Portuguese oil company Galp Energia reported a successful find in April 2024, suggesting the existence of the largest oil field yet in Namibian waters.[6] Estimates regarding the size of these discoveries have varied widely; however, the latest oil finds by Galp could hold an estimated 10 billion barrels of oil equivalent (BOE).[7]

The ongoing oil and gas exploration efforts are well-publicised by various sources. In contrast, easy to digest public information regarding prospective production modalities and economic benefits is paltry and often unsubstantiated. Furthermore, estimated figures and scenarios can differ considerably depending on the source and intended audience. It is therefore challenging to form an accurate picture of Namibia's true oil and gas potential.

Through Namibia's Sixth Development Plan (NDP6), the government aims to achieve the following sector targets by 2030: annual oil production of 150 million BOE, which would equate to around 411,000 BOE per day; 130 million cubic feet of gas per day, and the creation of 22,800 jobs.[8] In contrast, an oil and gas industrial baseline survey (IBS), conducted in Namibia by Deloitte in 2024, estimates much lower employment figures. The IBS states that one Floating Production, Storage and Offloading (FPSO) unit would result in 500 direct and 2,000 indirect jobs during construction; and 600 direct and indirect jobs each over the production phase.[9]

To date, only TotalEnergies has publicised plans for an oil production operation as part of a legally mandated Environmental and Social Impact Assessment (ESIA) process. TotalEnergies, together with venture partners Impact Oil and Gas, the National Petroleum Corporation of Namibia (Namcor) and Qatar Energy, plan to develop the offshore Venus field located in the Orange basin. According to the non-technical summary released by the ESIA service provider, the development would include drilling up to 40 deep-sea wells in water depths between 2,600 and 3,300 meters. The wells would be linked to an FPSO vessel with the capacity to produce 160,000 BOE per day. The construction of this development would take approximately five years, with production estimated to last around 20 years.[10] The IBS estimates an annual USD 648 million or 5.8 GDP growth for the country over the course of the single FPSO's production phase.[11]

Uncertainties and concerns over Namibia's oil and gas sector are technical and political in nature. State-owned Namcor's business track-record is poor, and it has been dogged by numerous mismanagement and corruption controversies. Observers note that Namcor and the administration must drastically improve the sector's overall governance to ensure that any eventual oil wealth benefits all citizens.[12] Some oil majors have written off investments and scaled back their exploration efforts in 2025, with Shell citing "significant technical and geological challenges" standing in the way of a commercially viable operation.[13] In February, TotalEnergies' CEO announced that the company would delay its final investment decision on the Venus field from the end of 2025 to 2026. CEO Patrick Pouyanne noted that the presence of large amounts of gas would complicate the field's development and raise costs.[14]

1.2 Status of the domestic energy transition

Namibia's economy remains highly dependent on fuel imports, particularly diesel. In 2022, the country's energy mix was made up of 43% diesel, 16% petrol, 18% electricity and 15% biomass, while the remaining 8% constituted fuels such as LPG and jet fuel.[15] Refined petroleum products have made up over 10% of the country's merchandise imports by value between 1990 and 2022.[16] Fossil fuels are a crucial input factor in the transport, agriculture, and mining sectors.

In many aspects, Namibia is still at the first stages of decarbonising its energy sector. Nevertheless, the country is ideally placed for the deployment of renewable energy (RE) projects – particularly wind and solar farms. Over the past two decades, the Namibian government has made important inroads by establishing a conducive legal framework for the widespread deployment of RE and enabling the national utility NamPower, development partners, and businesses to invest in RE projects.[17] Indeed, NDP6 endorses the construction of prioritised RE plants, grid upgrades and battery storage systems.[18]


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2. Demand Reduction: Implications and Opportunities

2.1 Demand reduction implications

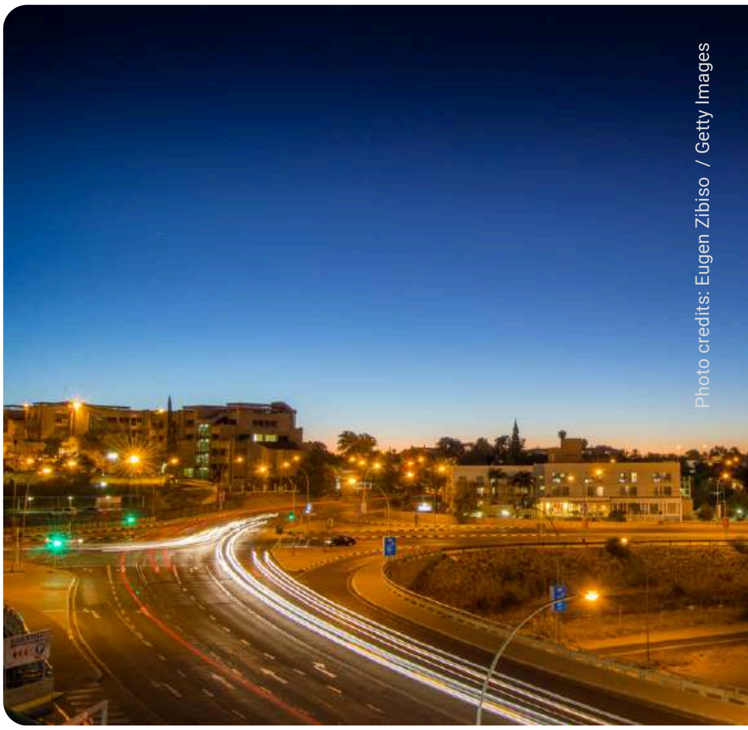
Namibia's oil and gas industry is still nascent, with no commercial production to date. Exploration efforts over the past decades have generated some economic activity, such as the supply and servicing of oil rigs. However, local job creation is negligible,[19] as is the revenue flow into government assets, primarily from licence fees. Hence, currently, the overall exposure of the economy to the oil and gas sector is very limited. A consistent and pronounced reduction of fossil fuel demand internationally would, at face value, bear little risk for the country. Instead, the risks borne by the country's oil and gas dreams are more deceptive.

Risk for Namibia is encompassed in its envisioned medium-to-long-term development pathway towards a wealthy, industrialised, and knowledge-based economy.[20] Anticipated timelines for the industry's development diverge significantly between oil companies and the government. NDP6 includes oil and gas as one of 47 "focus areas" and accords it significant importance in realising "unprecedented economic growth", job creation, tax revenue, and industrialisation. This vision is tied to significant investments in infrastructure and the beneficiation of local resources through "pipeline, power plants, refineries, export terminal, and petrochemical plants."[21]

How this vision can be realised is uncertain. State revenue from oil and gas production would only be available for such a vision well after 2030 (more likely after 2035). If a booming oil and gas industry fails to materialise, resources spent and assets built to date to develop the industry would be for nought. Concurrently, Namibia would risk diluting its ability to pursue sustainable energy opportunities.

2.2 Domestic policy priorities & recommendations

Namibia's government is likely aware of a global demand reduction scenario. This, and the nation's high unemployment and income inequality, have led the new administration under President Netumbo Nandi-Ndaitwah to place a heavy emphasis on the industry while calling for the realisation of oil production as soon as possible.[22] Notably, the president has moved the management of oil and gas under her own office by creating a new upstream petroleum unit and appointing two special advisors to lead it.[23]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The country's ongoing commitment to environmental sustainability and the state's acknowledgment of green industrialisation and the blue economy as viable catalysts for economic growth suggest that alternative and less risky pathways to development are possible and desirable. Nevertheless, economists have warned that foreign direct investments (FDI) figures are already "on a long-term decline" when excluding investments in oil and gas and mining.[24] A recent opinion piece warned that without boosting non-mining investments, "chances are that Namibia will turn into little more than a giant petrol station with a country attached."[25] There is evidence that the government is taking note of these concerns and is placing renewed emphasis on diversifying the economy.

The ruling party's manifesto and NDP6 have identified promising economic sectors to boost growth and employment. The former document, for example, prioritises education and training, sports, and the creative industries.[26] These are sensible focus areas - as they build on existing infrastructure and expertise, engage stakeholders, and require less time to show results.[27] Separately, private initiatives have established aquaculture[28] and agricultural enterprises at the coast, likely incentivised by Namibia's modernised port infrastructure and favourable climate. However, if SME development and green industrialisation are to propel jobs and wealth creation, deliberate, long-term reforms will be necessary.[29]

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Recommendations

1. Current national efforts to foster both an oil boom and green, sustainable growth lack prioritisation. There is a split focus that divides limited resources and risks the success of both pathways. Focused government and stakeholder action on a future-facing, low carbon, sustainable development vision will achieve more to diversify the economy, protect Namibia's unique environment, and honour its commitment to meeting global climate goals.

2. Stimulating extensive resource beneficiation and value addition, given Namibia's small market and low technical capacity, is doubtful. Instead, the country ought to consider placing more emphasis on expanding promising sectors that require less up-front capital, including renewable energy (RE) projects, transport, logistics, services, arts, and agriculture.

3. Namibia's ongoing investment in proven RE solar and wind plants is a benefit to its development ambitions. Clean, affordable energy will alleviate energy poverty, provide energy security and make the country an attractive destination for investments.

4. Meaningful growth through value addition and industrialisation will likely only be viable within a concerted regional approach. This will require ongoing market integration among SADC members and effective collaboration on cross-border relations, trade and energy. For example, by enhancing trade via the Southern African Power Pool (SAPP) and cutting red tape.


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