



YEAR – END MEDIA STATEMENT

13 December 2011

Members of the Media

Ladies and Gentlemen

I'm delighted to welcome you to NamPower Centre. We have convened this press conference today, as a tradition, to update you on our activities and projects for this year, as well as to share with you our future strategies as to how we plan to address the power supply challenges facing our country.

Despite the various challenges we have experienced over the last twelve months, 2011 was in many respects a successful year to NamPower. The power supply deficit and the associated challenges will continue to prevail until the commissioning of a base load power station, Kudu or Coal, by 2016. Despite these challenges we would like to assure the nation that NamPower is fully committed and will continue to deliver on its mandate of powering the nation and beyond. I will now take the opportunity to take you through the highlights of our activities, challenges and achievements during 2011:

- 1) The commissioning of the **ANIXAS** peaking power station with a capacity of 22.5 MW at Walvis Bay. This power station was officially inaugurated by His Excellency President Hifikepunye Pohamba on 3 November this year. As it was the first power station to be built in more than 30 years after the Ruacana Hydropower Station on the Kunene River, the project became historic in the annals of NamPower and the country;
- 2) The **Tsumkwe Renewable Energy Project**, one of the largest state-of-the-art 200 kW solar diesel hybrid systems in Africa was technically commissioned at Tsumkwe in August 2011. Businesses and some 700 residents in the growing town of Tsumkwe now have access to modern energy services. This project,

implemented at the total cost of approximately N\$ 26 million, was implemented in partnership between NamPower (as the main technical partner), Government and the European Union. The project will be officially inaugurated on 25 January 2012, and the members of the media are hereby invited to join us for this occasion;

- 3) NamPower's **investment ratings** remained aligned with that of the sovereign. In April 2011, Fitch Ratings affirmed NamPower Long-term foreign currency Issuer Default Rating (IDR) at 'BBB-' and Short-term IDR at 'F3'. NamPower's National Long-term rating at 'AA-(zaf)' and National Short-term rating at 'F1+(zaf)' were also affirmed. Both long-term ratings had positive outlooks;
- 4) **Caprivi Link Interconnector:** The project received the regional award as “The Best Fast-tracked project of the year” from Energy Africa in March 2011;
- 5) For the first time in many years, NamPower managed to negotiate and was granted by the ECB a **cost reflective tariff** for the year 2011/12. Unfortunately due to the delayed approval of tariffs, NamPower lost 2 months worth of revenue related to the increase. The challenge now will be how to sustain this cost reflectivity into the future considering the increasing cost of imported energy and high cost of infrastructural development in the region, including Namibia, where NamPower will be expected to invest approximately N\$14 billion in new generation and transmission capacity within the next 4 to 5 years;

On the financial front, NamPower, besides the challenging times characterised by expensive energy and huge investments in infrastructure developments, managed to record positive results during the 2010/11 Financial Year. We are currently finalising our Annual Financial Statements for the period 1 July 2010 to 30 June 2011 and these will be made available to the public early next year.

While we have had a good year and are proud of our achievements, we know that all these comes at a time when our company and country need to urgently address the challenges of security of supply for our country. The regional power supply situation is critical and Namibia, being a net importer of up to 60% of its national power requirements, will always be directly affected, until the country has its own base load power station. In July this year we recorded a maximum demand of 511 MW. This is a huge in comparison to our installed capacity of only 406 MW.

With the growing electricity demand mainly driven by the mining sector and other industries it is worth mentioning that without additional capacity Namibia will face a shortage of about 80MW of electricity by the winter of 2012. The deficit will continue to increase every year, and a shortage of 300MW is forecasted by 2015. The situation will be worsened by the expiry of the ZESA Power Supply Agreement by the end of 2013. We are in discussion with ZESA and an agreement has been reached between the two power utilities in principle to extend the agreement for another period of approximately 6 months.

At NamPower we are doing everything in our power to put measures in place that will enable us to address the current and future power supply challenges. The following are some of the measures we are planning to put in place with the view to ensure that we continue to sustain the supply of electricity to the national economy without disruption:

- 1) Initiation of new **Power Purchase Agreements (PPA)** with our neighbouring power utility companies as well as renegotiation of existing PPAs;
- 2) Negotiation of new PPA's with **Independent Power Producers (IPPs)**: In this regard negotiations have commenced with a number of private companies regarding the off-take of power from wind, solar and HFO projects;

- 3) **Ruacana 4th Unit:** Work on the installation of the 4th Unit generator at Namibia's main source of power generation is nearing completion. The technical commissioning of the Unit is scheduled for March 2012. The installation of the 4th Unit generator will add 92 MW to the current installed capacity of 240 MW.

In addition to the 4th unit, with minimal investment an additional 15 MW can also be added to the existing three units, bringing the total generation capacity at Ruacana to 347 MW;

- 4) **Rehabilitation of Van Eck Power Station:** Despite its age and perceived environmental concerns, Van Eck Power Station remains a critical component of NamPower generation capacity. NamPower received a grant of US\$400,000 from the US Trade and Development Agency (USTDA) to performing a study and determining the viability of rehabilitating this Power Station. The study is scheduled for completion by March 2012, paving the way for the rehabilitation process as part of its contribution to the power supply solution in the country;
- 5) **Baynes Power Project:** The write-ups of the reports on techno-economic and environmental studies are nearing completion and were discussed at the Baynes Committee and Permanent Joint Technical Committee (PJTC) meeting held in Windhoek on 29 June to 1 July 2011. Upon completion of the Feasibility Studies and the consequent submission of the final Techno-economic and ESHIA reports, the governments of Namibia and Angola will make a decision through the PJTC on the way forward for the implementation of the project.
- 6) **Kudu Power Project:** The project involves the implementation of an 800MW CCGT Power Station north of Oranjemund. NamPower will own 51 percent of the power station, with the balance of 49 percent to be farmed out to the private sector. Half of the power generated from the Kudu power station (400MW) will be consumed in Namibia with the balance to be exported to regional markets.

Good progress has been made between the upstream parties (Gas Field Developers: Tullow Oil, NamCor, Gasprom Neftegas and Itochu) and NamPower (Power Station developer). Negotiations on the Project Development Agreement

(PDA) outlining agreed action of all parties are at an advanced stage and will be signed in due course. The gas supply agreement (GSA) is also in its final draft stage and could also be signed soon.

By the beginning of 2012 NamPower will issue tenders for the EPC and O&M Contractors, as well as for Equity Partners to take up the 49 percent equity, leading to the final investment decision by mid 2012, the implementation of the project as from the end of 2012, and commercial operation by 2016. Kudu must be treated as a flagship project for the country and stakeholder support will be critical to its success;

7. Erongo Coal-Fired Power Station (150 – 450MW): The substantial increase in power demand of the Central Namib due to development growth has required the investigation into the feasibility of a Coal-fired power station (base load capacity in the Erongo Region). The draft scoping report is available on NamPower's website as well as other strategic places for comments by the public. An extensive public participation programme will take place from 18 – 21 January 2012. Results will be communicated in the media in due course.

NamPower is investigating a number of sites in the Erongo Region as a suitable location for the power station. The outcome of the draft scoping report (published on Tuesday, 13 December 2011) as part of the Environmental Socio Economic Impact Assessment study (ESEIA) indicates a preference to a location east of Arandis. The capacity considered as part of the first phase is about 300MW, which can be upgraded in the future to 800MW. The detailed ESEIA and techno economic studies are underway.

8. NamPower is currently investigating the potential of the lower Orange River for small scale hydro generation plants. The availability of the water will be subject to development in the Orange – Senqu basin, including projects upstream in the Orange River. Studies to determine the feasibility is expected to be concluded early 2012.

9. Implementation of Demand Side Management programmes (DSM):

NamPower launched an innovative and captivating campaign with the theme “The Power of Knowing” in June 2011. The energy savings part of the campaign, which is aimed at the role of the consumer to conserve electricity, will continue in 2012. The DSM programme will also advocate Time of Use Tariffs and Demand Market Participation. We will continue to urge our customers and all electricity users to implement energy saving measures and to continue using electricity efficiently;

10. Renewable Energy Projects

- a) NamPower is currently negotiating Power Purchase Agreements (PPA) with three prospective wind energy developers, one near Lüderitz and two in the Walvis Bay area. The Electricity Control Board (ECB) has issued all three parties with conditional generation licences. The proposed installed capacities are still being negotiated;
- b) During the month of December 2011 NamPower will issue tenders for an IPP developer of a 30 MW photovoltaic solar power plant in Namibia, split into 10 MW each at Gerus (near Otjiwarongo), Osona (near Okahandja) and Kokerboom (near Keetmanshoop). Tenders are expected to be awarded by March 2012 with the implementation of the first commercial solar power plant in Namibia to be implemented immediately thereafter;
- c) Private developers have commenced with a biomass project utilising invader bush to generate electricity. The project known as C-Bend (Combating bush encroachment for Namibia’s development) is a pilot plant of 250kW. NamPower is supporting the project through a PPA it has signed with the developers to encourage IPP participation. Technical advice to interconnect with the Cenored distribution network has also been provided by NamPower.
- d) NamPower was able to obtain a grant of Euro 350,000 from KfW of Germany to conduct a biomass feasibility study into the utilisation of large scale invader bush to fire a power station of between 10 to 20MW. The final report is

expected by mid 2012 with emphasis on the process to deliver either unprocessed wood chips or wood chips already processed to regional locations, rather than the power station itself.

I am confident that the projects that we have put in place will put potential investors and the nation at ease during 2012 and beyond.

On other matters, let me also take the opportunity to report on wage negotiations between Management and the Unions. As you are well aware, NamPower and the MUN Branch had extended negotiations on wage increases for the Bargaining Unit (Peromnes Groups 10 – 18) which reached a deadlock and the Union declared a dispute on 3 August 2011. I'm happy to report that NamPower and the Union finally reached an agreement at the end of October 2011.

All employees in the Bargaining Unit received an eight percent (8%) salary increase on the Total Guaranteed Package, excluding the Housing Subsidy and Medical Aid contributions. This was backdated to 1 July 2011. They further received a 15% increase on the housing allowance. The employees outside the bargaining Unit received a 7% increase on the Total guaranteed Package.

To conclude, NamPower wishes to inform its customers and the nation at large that it is committed to powering the nation and beyond, and will ensure development and prosperity for all, in line with the goal of Vision 2030.

Management appreciates the guidance of our Board of Directors, the dedication and hard work of our staff throughout the year. I therefore thank our stakeholders, especially the Government through the Minister of Mines and Energy, the ECB and electricity customers, for their support and assistance during the year.

May I at this juncture take this opportunity to wish you and the nation at large a safe and blessed festive season and a prosperous 2012.

I thank you