



MEDIA STATEMENT

11 December 2008

Master of Ceremonies

Esteemed Members of the Media

Ladies and Gentlemen

I take this opportunity to welcome you warmly to NamPower Centre. We have called this media conference to update you on the activities that took place during this year including progress on our plans to face the power supply challenges.

2008 has been a difficult year. It has been a year in which the big economies of the world were and continue to be hard hit by recession brought about by the crises in the financial sector.

NamPower is bidding farewell to a hectic year that yielded mixed results in many areas of our operations. The following are some highlights of the year under review:

- 1) The financial performance of the company was good. The final figures are being audited and will be released to the public once finalised. Worth mentioning at this point is the 16% growth in turnover and 20% growth in assets.
- 2) Development Financial Institutions (DFI) loans with favourable terms have been negotiated and agreed with the European Investment Bank (EIB), French Development Bank (AFD) and the German Development Bank (KFW) to the tune of N\$1.1 billion for the financing of the Caprivi Link. The Development Bank of Namibia (DBN) also granted a loan of N\$60 million in this regard. The DFI loan has a concession element of N\$150 million which can be used to fund studies in Rural Electrification and other non-commercial activities in the country.

- 3) We have managed the energy trading situation extremely well if one compares our situation with that of other countries in the region. Namibia did not experience load shedding to the extent that it has affected other countries in the region. We are very proud of this achievement.
- 4) For the first time in the history, NamPower experienced a reduction in maximum demand from 449MW last year to 430MW this year. This is attributable to nothing else but to the effective implementation of Demand Side Management programmes, particularly the Public awareness campaign, TOU tariffs, DMP and distribution of free CFL bulbs over the last year. We thank the public for heeding the call to use electricity wisely and for the media that helped us to spread the message far and wide. In the same vein we request you not to relax, but to keep on with the good work with the view to ensure sustainability of the program.
- 5) The report on air monitoring and carbon footprints study for the Van Eck power station was released to stakeholders on 25 November 2008. The study concluded that the Van Eck Power Station is not the only pollutant in the northern industrial area. The meeting came up with recommendations regarding the way forward. These recommendations will now be studied and the public will be informed about a plan of action.
- 6) The introduction of the integrated energy resource plan (IRP), a new business plan and roll-out of the new performance management strategy. These new management tools are designed to enable the NamPower executive team to improve on power supply planning, effective management of operations and staff productivity.

PROJECT UPDATE:

- 1) **Caprivi Link:** Despite minor delays the project is progressing very well and is over 50% complete and on schedule. The construction of the towers is now between Grootfontein and Otavi. The project employs approximately 600 people (450 Namibians and 150 South Africans). It further involves the construction of the total of 1808 towers, completion of 16 foundations and use of 1225 bags of cement per day. Negotiations with the three regional council and affected communities have been concluded and millions of dollars paid out as compensation for those affected by the project.

- 2) **Ruacana 4th Unit:** Bid evaluation is at an advanced stage and tenders for the civil works are expected to be issued within the next few weeks. Construction works is expected start towards the middle of next year.
- 3) **Orange River Mini-hydro project:** NamPower and Clarkson Power (a South African company that has already concluded most of the studies on the project) are in the process of finalising a Memorandum of Understanding for the joint development of hydro power stations along the Orange River. In the meantime an amount of N\$7.2 million has been approved by the Board as NamPower contribution towards the feasibility study.
- 4) **Baynes Hydropower Project:** The environmental and techno-economic feasibility studies have commenced and are expected to last for 18 months. The project is spearheaded by the two governments of Angola and Namibia through the Permanent Joint Technical Commission (PJTC).
- 5) **Kudu:** This has proved to be a challenging and time consuming project. As you may recall, the main reason for the delay was the pull out of Eskom and the difficult commercial negotiations with Tullow regarding the gas price and foreign exchange management. I am pleased to report that Eskom has approached us recently and has expressed their interest in partnering with NamPower for the development of the project. Further, the large scale energy users in the RSA have also approached us and have indicated their willingness to participate in the project as power off-takers. It should also be pointed out that the electricity price trends in the region have changed in favour of the project. In addition proposals have been made for forex management and these are presently being discussed with Government. Because of these developments we now strongly believe that a breakthrough will be made in due course for the development of Kudu.
- 6) **Walvis Bay Coal:** The scoping environmental study has been approved by the Ministry of Environment and Tourism. The EIA study is expected to be completed during the first quarter of 2009, and to be followed by the detailed technical and financial feasibility study thereafter. An IPP framework is being developed by the ECB to guide us in the process for the invitation of the private sector to team up with NamPower for the implementation of this project.

- 7) **ZIZABONA:** Substantial progress has been recorded on this project with the establishment of the Steering Committee between the four power utilities (NamPower, BPC, ZESA and ZESCO). A number of meetings have taken place and power wheeling agreements between the participating utilities are expected to be in place before the end of the year. Construction of this transmission line is expected early next year with commissioning scheduled for mid 2010.
- 8) **Short term energy generation (STEGx):** This project is meant to supplement our initiatives especially at the Coast. As we all know there is a growing interest in mining activities that is expected to result in additional load of approximately 300 MW at the Coast by 2010. As a result we need to add additional capacity of about 50 MW in the form of an emergency diesel power generation plant to boost our supply in that region. We appreciate government support and commitment for the additional equity injection of N\$250 million in this regard. Our partner in the venture, Anglo America, pulled out of the project last month due to the recent international economic crisis and the decrease in commodity prices. We are now in the process to re-opening a new tendering process to be able to continue with this important project.

POWER PURCHASE AGREEMENTS (PPA'S):

Along with the development of local generation and transmission capacity NamPower is also busy negotiating new power supply agreements with sister utilities in the region. The purpose is to diversify our imports, rather than relying solely on one country, the RSA, that has been the tradition in the past. In this regard negotiations have started and are due to be concluded with SNEL of the DRC and ZESCO of Zambia. Negotiations have also started with BPC of Botswana and EDM of Mozambique. We are confident that these PPAs will be concluded and signed during the course of next year (2009).

During its meeting on 4 December 2009 the NamPower Board approved the draft PPA between NamPower and Aelous, a Dutch power development company, to pave the way for the development of the first ever IPP in Namibia. This IPP project involves the construction of a 40 MW wind farm at Luderitz, in which NamPower will only participate as power off-taker.

It is worth noting that as from August 2008 the power import from Zimbabwe to Namibia increased from 120 to 150 MW as per the PPA signed between NamPower and ZESA in February 2007. This power will be available for Namibia during the next 5 years. Negotiations have started with ZESA for the extension of this PPA period in view of the ZIZABONA project that also need to be underpinned, for the purpose of project financing, by a new PPA of at least 10 years.

We are also pleased to report that our relationship with Eskom has been growing from strength to strength, and that the existing 15 year PPA between the 2 utilities is working very well despite the power supply challenges.

Director of Ceremonies, Members of the Media, Ladies and Gentlemen

The first three months of next year will be very critical for Namibia as Unit one of the 1800 MW Koeberg Nuclear Power Station in the Western Cape will be taken out of operation for refuelling and maintenance. Outage of any of the units of this plant normally poses a challenge to Namibia as South Africa experiences power transmission constraints towards the Western Cape. This normally affects our ability to import power from elsewhere in the region, meaning that we may face problems importing our power from Zimbabwe.

Given this scenario we urge our customers and all electricity users to implement energy saving measures and to continue using electricity efficiently.

I would therefore like to take this opportunity to thank the stakeholders, particularly the GRN through the MME, the ECB and electricity customers, for their support and assistance during the year. We also appreciate the guidance of our Board of Directors and the dedication and hard work of our staff through out 2009. We look forward to building on this great success for improved performance into the future.

Finally, I wish you Merry Christmas and a Prosperous 2009. Please rest well, and enjoy the festive season responsibly.

I thank you