



**SIGNING OF THE JOINT DEVELOPMENT AGREEMENT
(JDA) AND POWER EXPORT AGREEMENT TERM-SHEET ON
THE KUDU POWER PROJECT BETWEEN NAMPOWER AND
COPPERBELT ENERGY CORPORATION**

7 FEBRUARY 2014

WINDHOEK

Hon. Isaaks, the Deputy Minister of Mines and Energy,
Mr. Lombe Kachingwe, First Secretary, of the Zambian High Commission in Namibia,
Mr. Siyanga Malumo, Chairman of CEC Africa,
Mr Pedro Maritz, NamPower and Kudu Power Board member,
Mr. Michael Tarney, CEO of CEC,
Mr. Paulinus Shilamba, MD of NamPower,
Mr. Siseho Simasiku, CEO of the ECB,
Distinguished colleagues from CEC,
Colleagues from NamPower and the Kudu Project Team in particular,
Members of the Media
Ladies and gentlemen,

It is indeed an esteemed honour for us to host this very important occasion, which is a key milestone in the project schedule of the Kudu Project. As we are all aware, the Kudu Project has come along way, and this occasion is therefore a historical milestone in the sense that this is the first time that NamPower has advanced the project to the extent of signing a Joint Development Agreement with a potential off-taker and investor in the Kudu Project. It is also the first time that the project reached the stage of having advanced all the tenders on the project inter alia the EPC tender, Strategic Equity Investor tender, Coordinating Bank tender as well as the Operations and Maintenance tender which are at various stages of bid evaluations.

You would recall that in 2007, the Kudu Project was temporarily halted as a result of the commercial challenges that faced the project at the time which were amongst others the gas price which was deemed at the time as expensive, the complexity of concluding power export agreements with secondary off-takers for the power that Namibia cannot take, and the last commercial challenge was the foreign exchange risk exposure, as the gas price will be denominated in US Dollar, whereas electricity in Namibia is sold in Namibia Dollars.

Since 2010, NamPower did endeavour with the support of Government to find solutions to all those commercial challenges. The electricity tariff in the region has considerably increased over the past 6-7years, which has made Kudu to be more competitive against any other new-build power station in the region. Secondly, the interest that CEC has shown in off-taking 200

– 300MW from Kudu to be denominated in US Dollars, has lessened the foreign exchange risk exposure as the residual exposure is now slightly more manageable. There are several other avenues that NamPower, the ECB and Government are investigating to further reduce the residual exposure.

The CEC expression of interest to off-take about 200-300MW, and the subsequent discussions and negotiations that have been on-going since 2011, has finally paid off, as our teams of officials concluded in October 2013 the JDA and PXA Termsheet negotiations. CEC added considerable value to the Kudu Project, as the off-take denominated in US Dollars has lessened the burden on NamPower to manage the foreign currency exchange risk exposure. Their further interest to participate in the Kudu Project as investors/shareholders definitely demonstrate without a doubt their full commitment in ensuring that this project is successfully implemented and commissioned by end 2017, latest first quarter of 2018.

Ladies and gentlemen, energy security in the region has been one of the pre-occupation of our political leadership at SADC level, as the inadequate generation capacity currently prevalent in the region is hampering socio-economic development. Foreign direct investment can not be stimulated in the absence of secure and affordable electricity. Namibia has been a net importer of electricity for much too long, it is therefore of national strategic and security interest to ensure that we guarantee reliable supply of electricity. Kudu will be the first large power station to have been developed in Namibia by the Namibian Government. It is equally going to be the first Combined Cycle Gas Turbine Power Station of this size in the SADC region, if not in the whole of Africa. The development of the Kudu Project is also of strategic interest to Namibia, as it will monetize the gas resource, and further stimulate oil and gas exploration in Namibia. The Kudu Gas Field can therefore no longer continue to be a stranded asset. It needs to be developed, and commercialised for the interest of Namibia and the region.

I am therefore pleased that the JDA and PXA Termsheet negotiations have yielded the required positive results. We are equally excited that CEC is fully committed to ensuring that the project is successfully implemented hence their keen interest to participate as shareholders in the project. The signing of these two agreements signify our official cooperation as development partners, it is now upon our respective utilities to avail all the necessary resources to the Kudu Project. There are binding obligations on both NamPower

and CEC as contained in the JDA in particular, it is therefore upon the leadership of these two utilities and most importantly the Governments of Namibia and Zambia to create an enabling environment for the smooth implementation of these agreements. We are aware of the current transmission infrastructure bottlenecks on both the Namibian and Zambian side that require attention in order to fast-track and further enhanced bilateral energy trade between Namibia and Zambia. We are therefore pleased to have the presence of the Zambian High Commission at this occasion, as this demonstrates undeniably the importance that our two Governments have attached to their bilateral cooperation. NamPower has for years been cooperating and trading with ZESCO in Zambia, and this new relationship with CEC further strengthens our relationship with Zambia.

To CEC, we are humbled by the cooperation and positive spirit that you have shown since the negotiations started two years ago. As a Board of Directors, we followed keenly the developments of your discussions and negotiations, to date we have not yet received any briefing that there were any disagreements during your deliberations. Amongst all your list of projects that you are pursuing, Kudu has remained one of the key priority projects. It is indeed commendable that our teams worked tirelessly to bring the negotiations to their logical conclusions to the mutual benefit of our respective utilities and Governments.

Finally, let me therefore congratulate the two negotiation teams for their professionalism, hard work and dedication during the negotiation process and for the job well done. I am confident that the parties will continue to work hard and to ensure that the project is implemented as soon as possible, and commissioned within budget and time lines as envisaged.

I thank you for your attention.