NAMIBIA O&G OPPORTUNITY

AFRICA HOUSE WEBINAR

Standard Bank
14th June 2022

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STANDARD BANK NAMIBIA

STANDARD BANK NAMIBIA

CE
Mercia Geises

Banking licence granted in 1915

63 branches and 259 ATMs

Over 1,740 employees

- Subsidiaries:
  - Standard Insurance Brokers
  - Stanfin

Global Finance World’s Best Sub-custodian Bank in Namibia (2020)

Emeafinance African Banking Awards - Best bank in Namibia (2020)

STANDARD BANK NAMIBIA - A RANGE OF CAPABILITIES

Transactional Products and Services

Foreign current account	Foreign deposit account	Telegraphic transfers	Bulk payments	Real Time Gross Settlement (RTGS)	Card acquiring	Mobile banking	Receipt Reference Service
✓	✓	✓	✓	✓	✓	✗	✓
Sweeping –domestic	Sweeping – regional	Debit card payments	Credit card payments	Beneficiary account validation	Electronic clearing house	Online banking platform	
✓	✗	✓	✓	✓	✓	Business Online	
Letter of credit (LC)	Payment undertaking	Promissory note	Standby LC	Avalised drafts	Guarantees	Invoice discounting	
✓	✓	✓	✓	✗	✓	✓	

Global Markets

Forex					Interest rates							
Spot	Forwards	Swaps	Options	Callable forward	Commercial paper	Government bonds	Repos	Treasury bills	Corporate bonds	Wholesale deposits	Call notice deposits	Cross currency interest rate swap
✓	✓	✓	✓			✓	✓	✓		✓	✓	✓

Investment Banking

Corporate finance (equity & debt capital markets and mergers & acquisitions)	Mining, energy and infrastructure (MEI) diversified and leveraged lending (DLL)	Structured finance (team based in South Africa)	Strategic investments (team based in South Africa)
✓	✓	✓	✓

Corporate banking	✓
Retail banking	✓
Investor services	✓
Investment banking	✓

Exchange control: Exchange control still in place. Namibia is part of the Common Monetary Area (CMA). Balance of payments (BOP) reporting required. Bank of Namibia approval required for loans. Prior approval required for interest on foreign loans (usually covered in the loan application). Tax commitments due by immigrants are covered in the exchange control rulings.

✓ Available ✗ Not available ■ On demand

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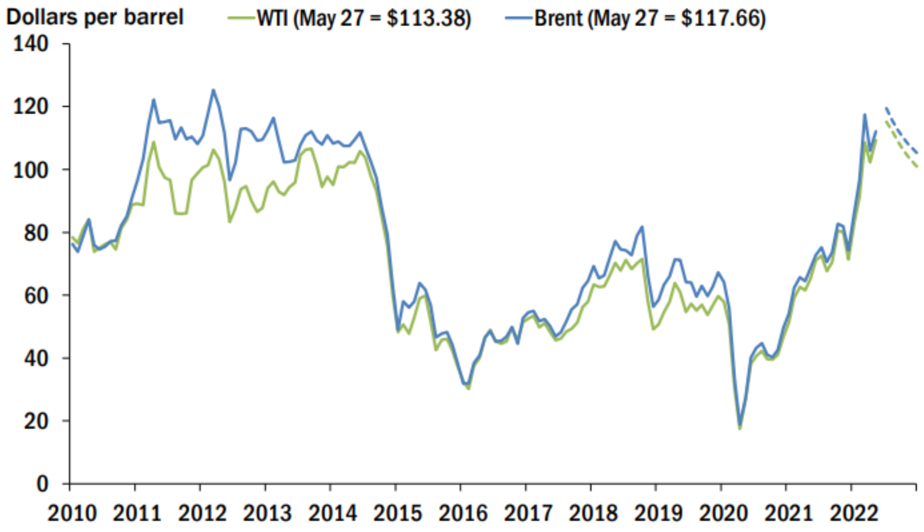
GLOBAL ENERGY LANDSCAPE

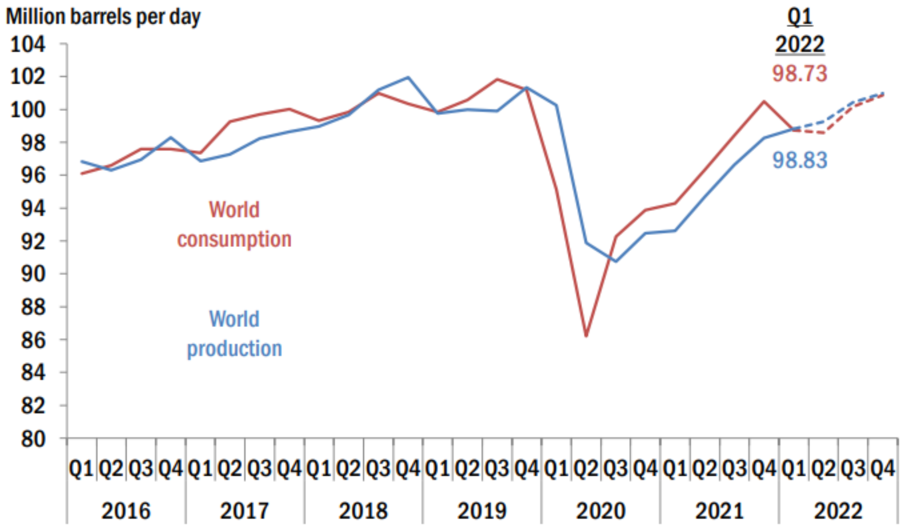
- In 2020, oil demand dropped by approximately 8.78 mb/d (9% decline), compared to 2019. This was mainly driven by COVID-19 measures taken by governments globally to restrain mobility and other economic activities.

- In 2021, prices recovered strongly from a brief nadir of USD 20 bbl Brent (and even negative WTI) in the second quarter of 2020 at the height of the Covid-19 pandemic. Pre Russia/Ukraine, prices were seen as more likely to tip USD 100 bbl than drop to USD 40 bbl. Russia invaded Ukraine on **24 February 2022**.

- Per OPEC, 2Q 2022 demand is 99m BPD, driven by the global improved economic activity and mobility (encouraging transportation fuel demand (92% dependent on oil)). It is evident that, apart from a temporary decline in demand for hydrocarbons (which was as a result of government imposed lockdown restrictions), hydrocarbons still remain essential to the global energy mix and are anticipated to grow in demand (RE is 5.6% of global primary energy).

- Electric vehicles (EVs), seen as a potential threat to hydrocarbons, are currently expensive (unless subsidized) and increase power demand in an individual county. The rate of EV adoption in developing countries will lag that of OECD countries, themselves not expected to have internal combustion engine (ICE) vehicles /EV crossover until the late 2030s. Therefore, hydrocarbons are to remain relevant through liquid fuels.





Source: Federal Reserve Bank of Dallas

THE ENERGY LANDSCAPE

WHAT RUSSIA UKRAINE MEANS FOR THE GLOBAL ENERGY LANDSCAPE?

- This topic is fast-moving. Since Russia invaded Ukraine on 24 February, oil prices increased significantly. Spot Brent is currently **USD 122 BBL**. This follows the globally anticipated risk of energy supply shortages, given that Russia is the world's second largest oil producer i.e. producing 10.9 million b/d of crude oil, and oil exports of 4.6 million b/d.

- From the IOC perspective, Shell, BP and Exxon have indicated to exit their upstream positions in Russia which they participate in through joint ventures. TotalEnergies has indicated that it will no longer provide capital for new projects in Russia, however, they have not indicated to exit Russia..

- Given the global importance of Russia's energy supply, other than Nord Stream 2 suspension, fewer energy supply restrictions **had been** imposed on Russia than for other sectors (e.g. banking, payments). However, **the EU recently banned seaborne Russian oil imports by YE 2022 (90% of imports)**

- Per Golar Energy, Europe is now considering up to **twenty two (22)** FSRU import projects. This places a major demand pull on existing/planned FSRU ships (a long-lead item) and **massively reduces the potential for most African FSRU projects to be executed in the near term** (e.g. before 2027). In particular, Germany has made a rapid and major change in its energy policy. It will commission up to five (5) FSRU import terminals (their first) and the Finance Minister has visited the US, Qatar and Senegal discussing, among others, LNG imports. Germany consumes 87 BCM of natural gas, equivalent to 63 MTPA. If half of its gas purchases become LNG, **this is roughly equivalent to Rovuma LNG and Tanzania LNG combined**.

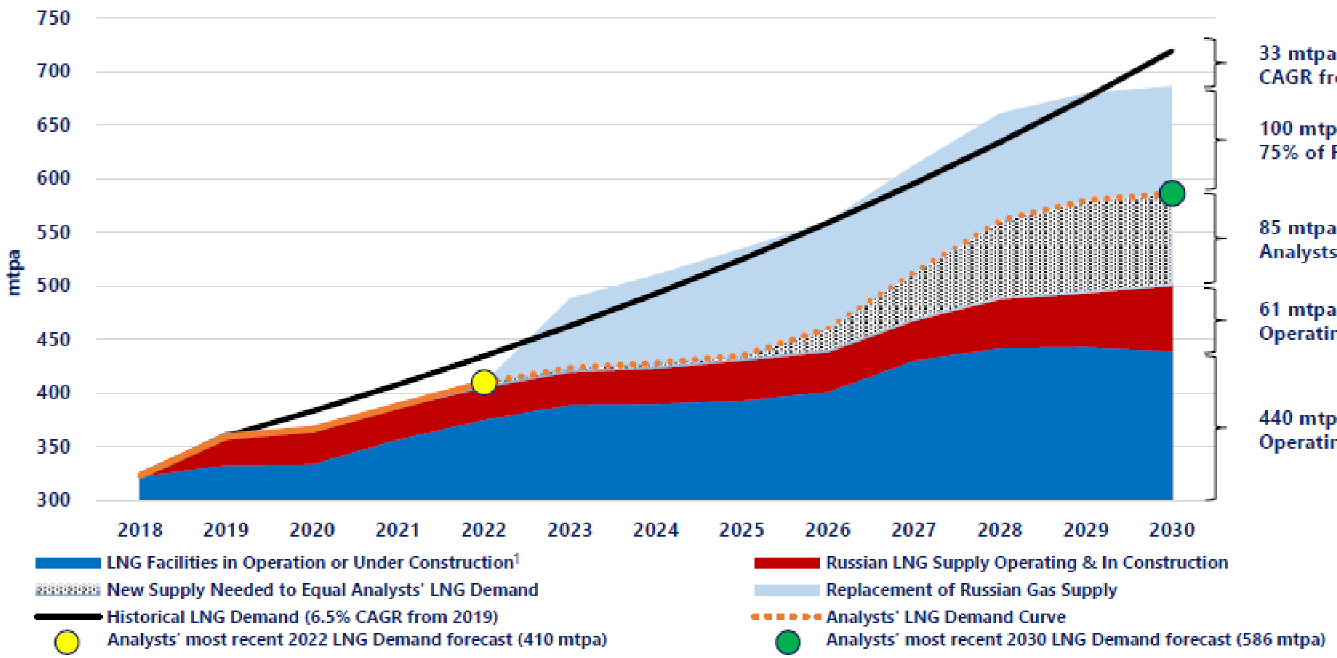
- In addition to this, the EU has recently announced a massive multi-faceted scheme called REpowerEU which seeks to reduce EU energy dependency on Russia by 2030. As well as LNG/gas, this includes massive initiatives in terms of new solar PV, wind (especially offshore), grid and BESS investments as well as biomethane, green hydrogen and permitting innovations. Rystad Energy envisage this could cost **USD 1 trillion by 2030**.

Source: Wood Mackenzie, IEA, Die Spiegel, Rystad Energy, BBC, FT

THE ENERGY LANDSCAPE

FUTURE LNG DEMAND?

- There is no doubt that Russia Ukraine has changed the global LNG market. Per Next Decade (2022), a number of analysts see the need for up to **200 MTPA** of new LNG export investments (increased from 85 MTPA) to take account of replacing 75% of Russian gas supply (currently 102 BCM) and a delay/cancellation in new Russian LNG projects.



- The driver behind this is two-fold:
  - The existing drive towards global cleaner energy (i.e. coal to gas switching). In this regard, we note EQT Corporation's recent report "Unleashing US LNG: The largest Green Initiative on the Planet", which sees 175 BCFD of non-US coal to gas switching potential. To put in context, Mozambique LNG and Rovuma LNG gas production is 4.5 BCFD (2.6% of the addressable market)
  - Per Cheniere, the EU may look to replace 75% of Russian gas consumption over time. They note Europe is currently attracting 2/3 of Atlantic Basin flows (as opposed to Asia Pacific). Within Europe, 22 FSRUs are under consideration
  - A side point to note is over the next two years or so there is likely to be some pressure on FSRU / FSU availability unless attached to a strong IOC

Source: Cheniere Energy, Next Decade, EQT Corporation, Golar Energy

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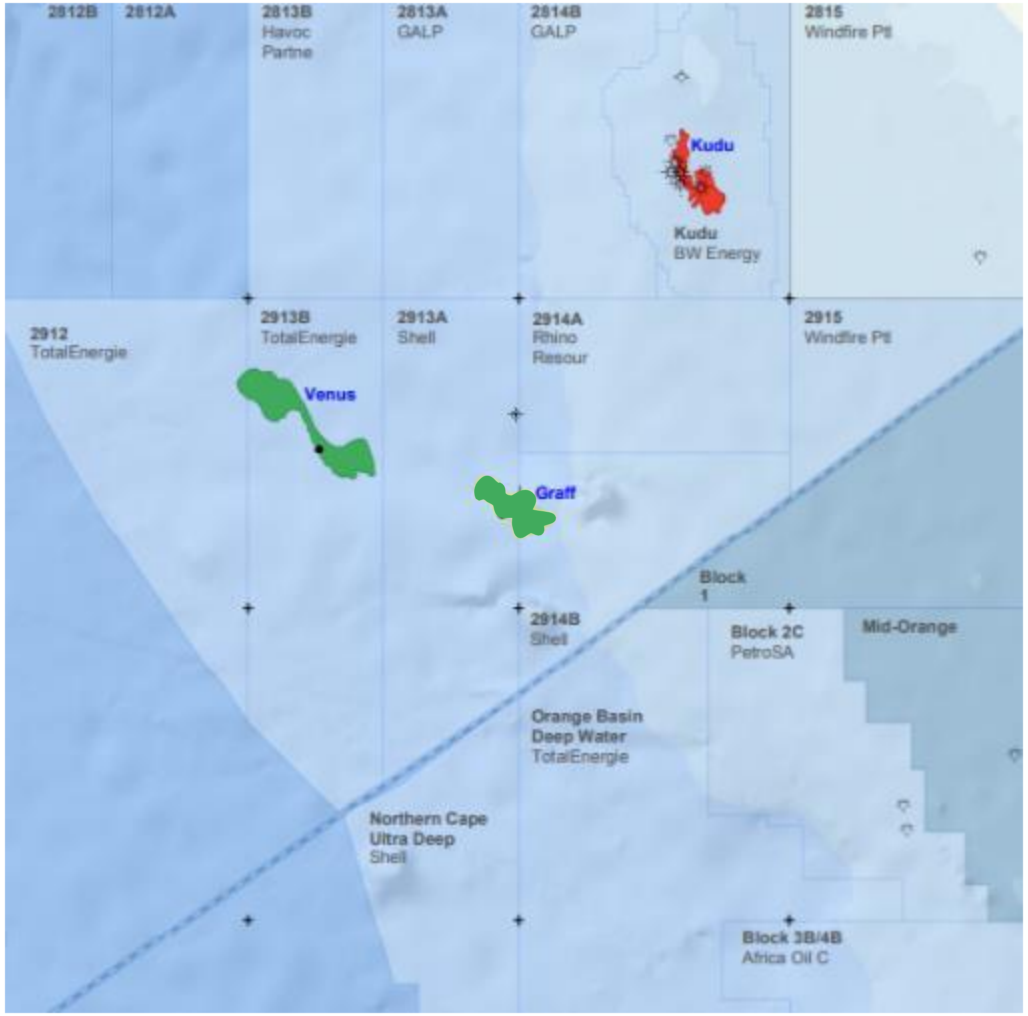
NAMIBIA O&G CONTEXT

NAMIBIA'S RECENT DISCOVERIES



Source: WoodMackenzie

Graff

- Graff was the first oil discovery made in Namibia, in ultra-deepwater, located on Block 2913A, discovered by Shell in February 2022.
- QatarEnergy, and Namcor, are partners in the exploration licence with Shell, with participating interests of 45%, 10% and 45% respectively
- Follow up exploration/appraisal drilling commenced two weeks after the discovery, with the La Rona-1 well reported as also successful
- Early estimates assume Graff holds c. 700mn bbls of recoverable oil
- Development concept assumed via a subsea development tied back to a FPSO, assumed project sanctioning 2024 and first oil 2027

Venus

- Ultra-deepwater oil field located on Block 2913B offshore Namibia, discovered by TotalEnergies in February 2022.
- QatarEnergy, Impact Oil & Gas and Namcor, are partners in the exploration licence with TotalEnergies, with participating interests of 30%, 20%, 10% and 40% respectively
- Largest discovery ever made in the country.
- Early reports assume in excess of 3bn boe of recoverable volumes
- Appraisal drilling due to begin in September 2022
- Development concept assumed via a subsea development tied back to a FPSO, assumed project sanctioning 2024 and first oil 2027/2028

CURRENT NAMIBIA, SOUTH AFRICA, SOUTHERN MOZAMBIQUE SCENARIO

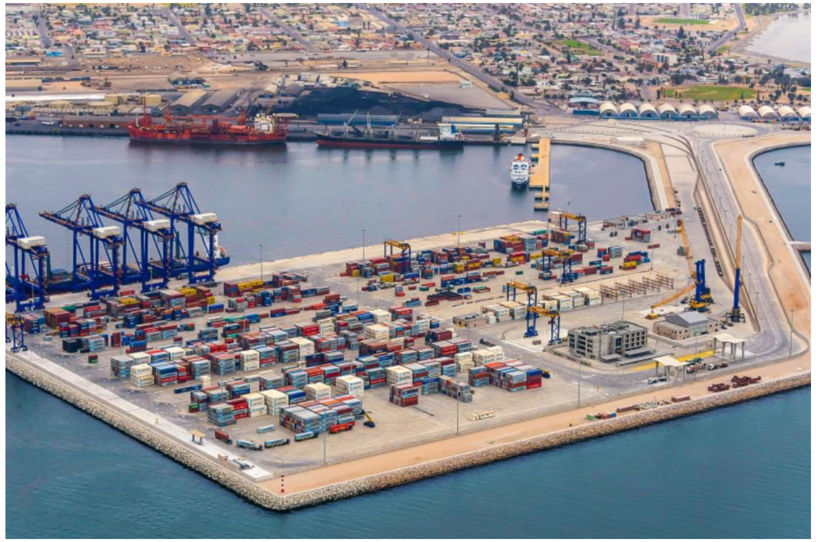
- Key centres
- Fuel Switch Peaker
- Potential New GTP
- Gas-to-Liquids
- Coal-to-Liquids
- Refined Product Pipeline
- Crude Pipeline
- Gas Pipeline
- Potential Gas Pipeline
- Gas Field
- Oil Field
- Oil & Gas Field
- Potential FSRU
- Potential FLNG
- Offshore O&G Prospects
- Helium Prospects
- Potential CBM
- Existing Refinery
- Closing Refinery

1. Namibia offshore Orange Basin exploration
2. South Africa offshore Orange Basin exploration
3. South Africa 11B / 12B discoveries
4. Matola LNG Imports
5. KZN LNG imports optionality
6. Coega LNG imports optionality
7. Reconfiguration post inland gas expansion
8. New GTP opportunities | Eskom 4-6GW

* Source: WoodMackenzie, Eskom, Standard Bank

WALVIS BAY PORT

A MAJOR NATIONAL ASSET



Source: Namport, Mining Africa, Standard Bank

- Walvis Bay is Namibia's largest port and the gateway to multiple African markets, including Zambia, Southern Angola, Botswana, DRC and Zimbabwe. Shipping time from Antwerp, for example, is only 17 days. Improving inland connections (e.g. Trans-Caprivi link) are facilitating increased trade).

- Recently visited by Standard Bank, the port receives, inter alia, in-bound commercial (e.g. TEUs) and primary products (e.g. sulphur used in Zambia copper mining), as well as outbound mining products (e.g. export copper) and other exports (e.g. fish). A major container terminal was added in 2019 and the port has further expansion plans.

- From an existing O&G perspective, Walvis Bay is Namibia's primary liquid fuels import terminal and has an existing business storing/cold stacking jack-up rigs, as well as perfoming rig repairs and maintenance. An integrated natural gas / liquid fuels pipeline to Zambia (**NZOP**) has also been mooted as has a LNG import terminal (which would naturally connect to potential future LNG production by Namibia).

- Accordingly, Namibia has in place the core building blocks for a major O&G Local Content platform centred around Walvis Bay (which already supported the 2022 exploration drilling).

- As well as supporting the offshore drilling and, in time oil production industry (**FPSOs**), we envisage Walvis Bay's existing businesses will be able to scale-up, expand and serve the same operations through developing increased services. We also expect numerous international O&G services players will enter the Namibian market through Walvis Bay

- More broadly, we can also see how future O&G cash flows can implicitly fund the development of a Namibian coastal road (e.g. running Walvis Bay to Luderitiz) and stronger inland road and rail links (e.g. planned Trans-Zambesi railway line) which will facilitate increased inland connectivity (Connecting Namibia).

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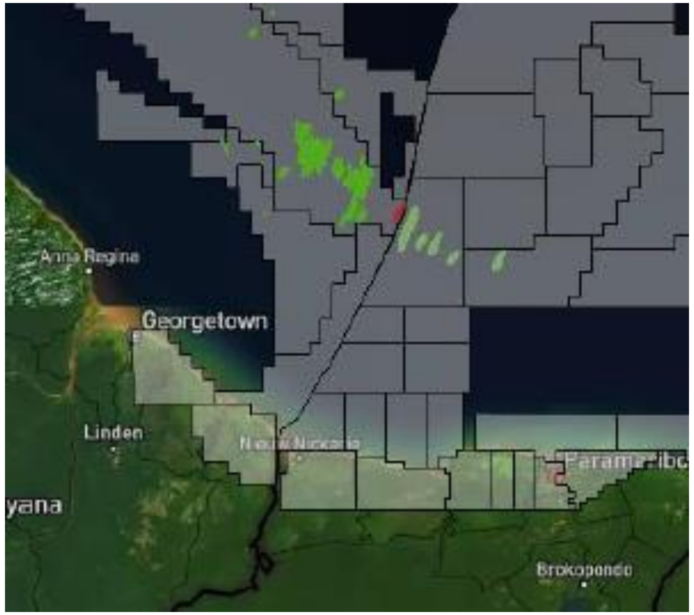
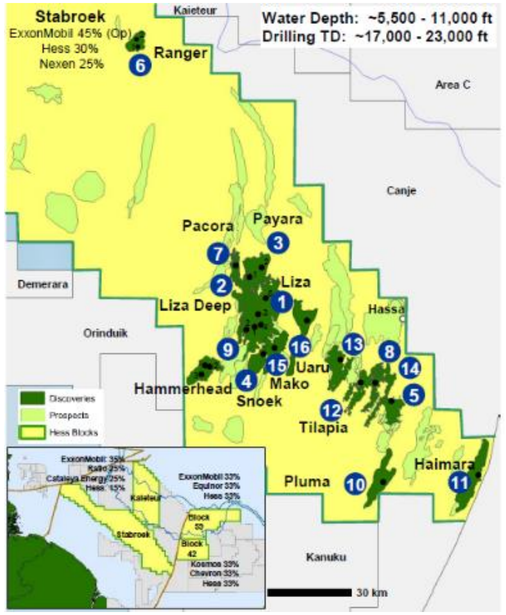
GUYANA & SURINAME PARALLELS?

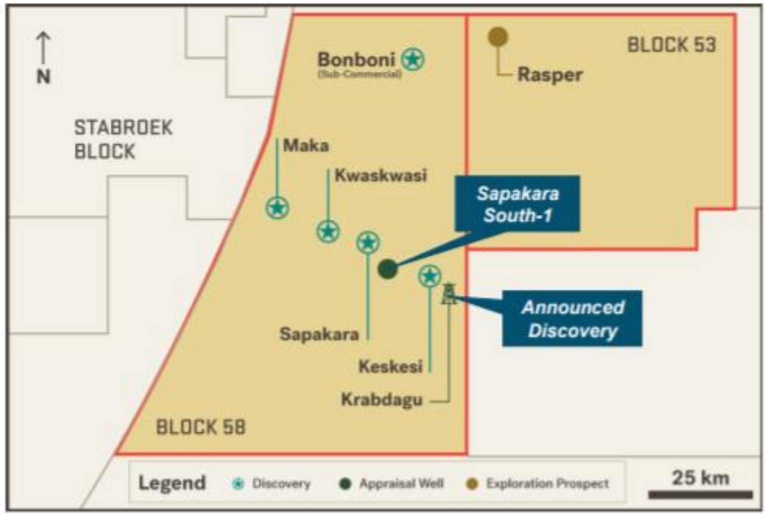
GUYANA & SURINAME

A POTENTIAL DEVELOPMENT PARALLEL FOR NAMIBIA?

- Since 2015, the Guyana – Suriname basin has been the world's hottest exploration play. Below is Welligence's exhibit of the combined play, focusing on the ''**Golden Lane**'' of the multiple discoveries made (light green); Hess portrayal of Guyana (Stabroek) and Apache Corporation, Suriname (Block 58)







- Guyana's population is **786,000**. Guyana's Stabroek block made its first discovery in 2015 (Liza) and first oil production started 2019. Per Operator Exxon Mobil, Guyana's proven discovered resources are now **>11bn bbl.** 4 FPSO projects have taken FID, with 2 more FIDs expected in the next two years (up to 10 FPSOs may be possible in time). 2027 expected production from 6 FPSOs is **850,000 BPD**, with a gas to power project also in development. Guyana's 2022 projected real growth rate is 48% (IMF, 2022)

- Suriname population is **586,000**. In Suriname, 5 exploration discoveries have been made in Block 58 since 2020. Operator Total indicates they are looking to find sufficient resources in 2022 to identify a first oil development. **3bn bbl** reported discoveries have been made. Welligence estimate around **300,000 BPD** can be produced at peak. However, the most recent exploration well in the adjacent Block 53 was unsuccessful.

- In terms of capex, Welligence's broad estimate is **c USD 55bn** by **2030** across both countries. Namibia's current GDP is **c USD 11bn**.

Source: Welligence, Exxon Mobil, Hess, Apache, IMF

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DISCUSSION POINTS

DISCUSSION POINTS

/01

Post COVID Government-imposed limitations on mobility, the demand for oil is now back to 100m BPD. Pre-Russia Ukraine, prices were already **c USD 80 bbl**.

Post Russia Ukraine, market expectations are for higher prices for longer. Current spot prices are **over USD 120 bbl** with the risk of higher longer-term global inflation.

/02

Namibia is an exciting discovery with 3 deep water discoveries made in 2022 (**Graff**, **Venus**, **La Rona**).

We understand two more exploration/appraisal wells will be drilled by Total in 2022.

Shell is expected to also drill additional wells in 2022.

We anticipate Recon Africa will drill two to three exploration wells in 2022, with initial spud date expected soon.

/03

Standard Bank argues the **ongoing Guyana / Suriname developments** are key precedents to follow for Namibia's O&G development. Why?

- Deep water discoveries of global materiality
- Small population, new frontier discoveries of material impact to postcode
- Experienced IOCs/NOCs drilling the resources with the technical and financial resources to execute
- Fast track development precedent executed in the Energy Transition environment with cutting edge technology

/04

We should be transparent. Future African O&G developments will need a high focus on environmental standards to maintain their social licence to operate and to attract capital (both equity (from institutions) and debt).

We expect new African O&G developments will look to achieve Scope 1 & 2 Net Zero Emissions (e.g. ENI Baleine CDI) and any financings will also need to be compliant with the Equator Principles (including a Climate Change Risk Assessment).

/05

In **Namibia**, we encourage a ''post-2020 market'' approach to legislation taking account of the Energy Transition context.

Public policy will **clearly need** to demonstrate (1) the wider economic benefits for Namibia of O&G development; (2) the benefits to private investors of the same and (3) specific national development impacts in Namibia (e.g. Local Content, new/upgraded ports of Luderitz (also serving Green Hydrogen) / Elizabeth Bay / Walvis Bay, and enhanced national infrastructure (''**Connecting Namibia**'')

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