AN ECONOMIC ANALYSIS OF NAMIBIA 'S PETROLEUM FISCAL SYSTEM

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1. INTRODUCTION

•This study analyses how appropriate Namibia 's fiscal regime with respect to gas field development.

• The fiscal regime can affect the level of investments in the oil and gas sector.

Namibia 's Fiscal Regime:

Fiscal Terms	Rates	
Royalty	5%	
PIT	35%	
Dep. Allowance	33.33% (SLD)	
Additional Profit Tax	Threshold	Rate
First Tier	15 %	33%
Second Tier	20%	40%
Third Tier	25%	50%

2. METHODOLOGY

a. **DCF Model Analysis**

b. **Sensitivity Analysis**

c. **Monte Carlo Simulation** – To account for uncertainty in model input parameters

2. METHODOLOGY CONT'D

Main Inputs	Main Profitability Measures
▪Production volume, gas price ▪ **Costs-**development & operating expenditures, fiscal terms, discount rate (10%)	▪Pre-tax NPV ▪ Post-tax NPV ▪ IRR ▪ PIR ▪ Government take

Key Data

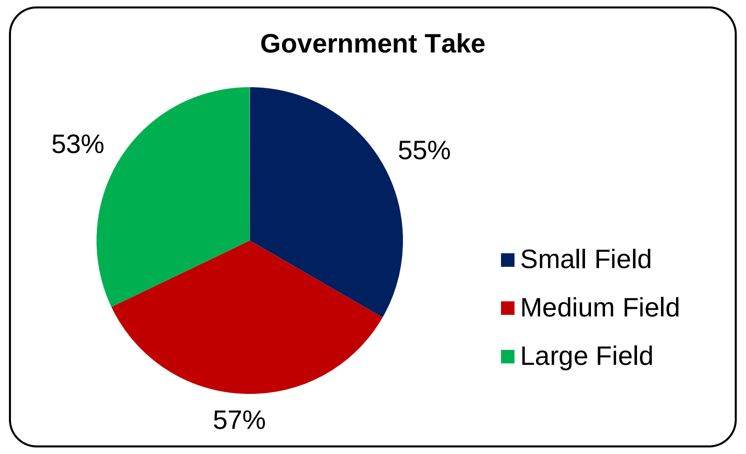
Field Sizes (Bcf)	Small 250	Medium 500	Large 1000
Devex ($/boe)	20	15	12.5
Opex (% of acc. devex)	7.75	6.75	6.00

3. RESULTS

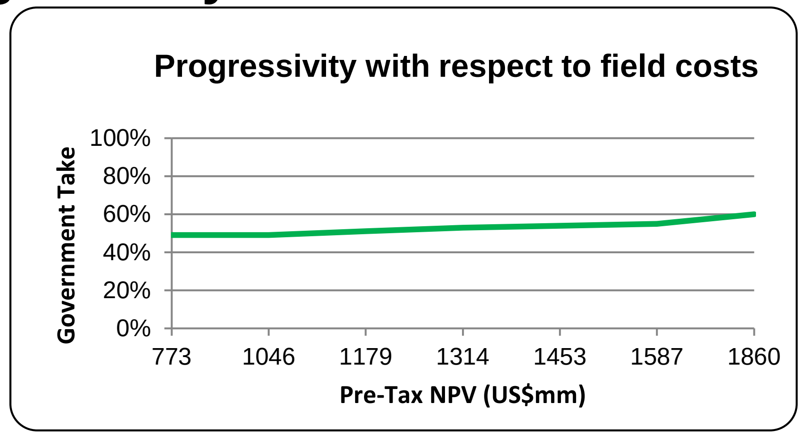
3.1 Base case results

Profitability Indicators	Small Field	Medium Field	Large Field
Pre-tax NPV ($mm)	242	836	1314
Post-Tax NPV ($mm)	104	491	640
Post-Tax IRR	15%	15%	17%
Gov. Take	55%	57%	53%

3.2 Share of Economic Rents



3.3 Progressivity



4. CONCLUSIONS

The current Namibia 's fiscal regime:

▪ Collects appropriate share of economic rents

▪ Fairly progressive with respect to field costs

▪Encourages investment s in gas field development

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