Namibia Strategic Brief

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Drill CAPITAL

This report is part of Drill Capital's commitment to transparent, long-term responsible investment. We believe energy equity, transition dynamics, and development finance are not only financial considerations, but stewardship imperatives. This field note offers reflections from on-the-ground energy developments in Namibia and beyond, as we assess sustainability outcomes aligned with the UN Principles for Responsible Investment.

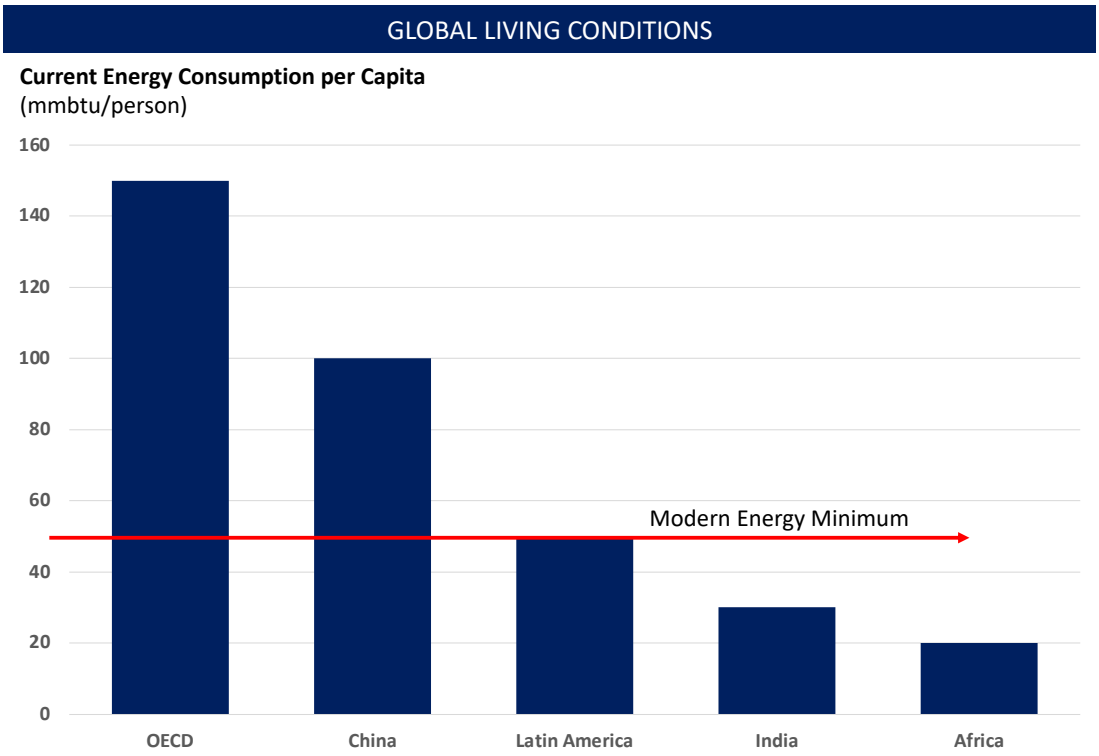
Energy is a universal necessity, yet access remains deeply unequal. In developed economies, one-third of the Earth's population enjoys near-unlimited electricity, consuming an average of 150 energy units per capita. In contrast, the remaining two-thirds, residing in developing nations, consume only a fraction of this and are still navigating foundational energy transitions—moving from burning wood and coal to propane for cooking and, hopefully, to electricity or natural gas-powered stoves at scale.

In developed nations, transitioning to cleaner fuels and technologies has been a costly and complex endeavor since the Paris Accord was signed in 2015. Achieving the net-zero targets outlined in Paris will require at least $5 trillion in annual investments—a goal that hinges on global central banks' ability to lower the cost of capital despite persistent inflation and supply chain disruptions. Yet even with these investments, it is becoming increasingly clear that achieving the 2030 and 2050 targets is a herculean task. Pro-domestic policies, subsidy reductions, and tariff restrictions on renewable energy complicate the path forward. Meanwhile, nascent technologies face unresolved challenges, from resource-intensive production to costly lifecycle maintenance.

In this dynamic environment, traditional hydrocarbons have reasserted themselves as indispensable. Affordable, reliable, and abundant, they are once again the backbone of the global energy system. This push-and-pull dynamic creates a historic opportunity—one where the disparities between future winners and losers in the energy economy will be more pronounced than ever. As responsible stewards of capital, we are committed to leveraging platforms like the UN Principles for Responsible Investment (UNPRI) to spotlight critical issues and share our key findings. This inaugural letter outlines our vision for the energy markets, the opportunities we see, and how we intend to seize them.

The global population is expected to swell by two billion in the coming decades, with energy consumption doubling. Most of this growth will come from developing nations, where energy access remains a catalyst for social progress, stability, and prosperity. Having grown up in these regions and witnessed the transformative power of energy firsthand, I hold a simple yet profound belief: electricity is not just an economic input—it is a human right. I got to see firsthand how the United Nations deployed its physical supply chains to mission-critical regions—often

recovering from conflict or crisis—to raise living standards in the world's most underserved areas. It exposed me to a fundamental truth while growing up: energy is not just an economic input but a catalyst for social progress, stability, and long-term prosperity. Access to electricity transforms lives. It empowers individuals, enables communities to flourish, and offers a pathway out of poverty. Electricity, like clean water and adequate food, is a foundation upon which human potential can be realized. Yet the global energy system remains fragmented today. More than 700 million people worldwide still live without reliable electricity or the opportunities it brings. Addressing this disparity is not merely a matter of economic growth; it is a moral imperative.



"Make thee an ark of gopher wood; rooms shalt thou make in the ark, and shalt pitch it within and without with pitch."

The story of Noah and the Ark reminds us of humanity's ingenuity and resilience in the face of monumental challenges. "Pitch," "tar," or "asphalt"—what we now recognize as traditional oil—has been a cornerstone of human progress since ancient civilizations like the Sumerians and Ancient Egyptians, who like Noah also used bitumen for *practical* purposes to seal boats,

waterproof builds or construct roads, pioneering its early applications. By 500 BCE, early Chinese civilizations were extracting oil for lighting, heating, and medicinal purposes, employing rudimentary drilling techniques that hinted at its untapped potential. Similarly, in the 9th century, inhabitants around the Caspian Sea utilized oil to fuel lamps, heat homes, and engage in early trade, marking the beginning of oil's role as a strategic resource. These ancient societies understood oil's value as both a commodity and a catalyst for progress, even if its full industrial potential was many centuries away.

Fast forward to 1859, when the landscape of oil discovery was about to change forever. In Titusville, Pennsylvania, Edwin Drake, a former railroad conductor with no formal training in geology or engineering, was hired to drill for oil in what was believed to be uncharted territory. The world had not yet understood the true potential of oil, and many saw Drake's mission as a fool's errand. For weeks, Drake and his small crew labored tirelessly, boring into the earth with a rudimentary steam-powered drill. Neighbors watched skeptically, deriding the operation as "Drake's Folly." The process was arduous, and failures were frequent, but on August 27, 1859, as the summer sun began to dip below the horizon, something miraculous happened. A dark, viscous liquid bubbled to the surface. Drake's persistence had prevailed, and the first commercial oil well was born. The impact was immediate and transformative. Kerosene distilled from this newfound substance illuminated homes and factories, replacing whale oil and allowing the industrial night shift to thrive. But no one could yet imagine how this black gold would fuel engines, power nations, and shape the modern world.

In 1863, just four years after Drake's discovery, a young Rockefeller—sharp-eyed and calculating—made his first foray into the oil business. At the time, the oil industry was a chaotic, unregulated frontier. Wells sprang up haphazardly, refineries operated with crude methods, and barrels of oil often spilled more than they delivered. But Rockefeller saw something others did not: the opportunity to bring order to the chaos. Through his Cleveland-based refinery, Rockefeller began refining oil more efficiently than his competitors. He recognized that the true wealth lay not in drilling but in the refining process and the ability to distribute oil at scale. By the 1870s, his company, Standard Oil, controlled 90% of the U.S. refining capacity. He established pipelines, negotiated favorable deals with railroads, and integrated every stage of the oil supply chain, making oil cheaper and more accessible than ever before. Kerosene lamps lit up

homes across America, and Rockefeller's fortune soared. The vision for the world's energy system didn't stop at illumination. In laboratories, inventors like Michael Faraday and Thomas Edison were unlocking the secrets of electricity. What began as an experiment with magnetic coils and a flickering light bulb soon became a revolution in energy. By the late 19th century, Edison's Pearl Street Station in New York City was delivering electricity to customers. Lights sprang to life in shops and apartments, transforming the rhythm of urban life. Rockefeller, ever the pragmatist, recognized that electricity might compete with his kerosene empire in lighting homes. But instead of retreating, he doubled down on oil's versatility, investing in lubricants and gasoline—a byproduct of refining that was previously considered waste. And while Henry Ford's automobiles began rolling off assembly lines in the early 20th century, Rockefeller's gasoline powered the combustion engines that would define our modern-day transportation sector.

Electricity was also rapidly reshaping the industrial landscape during this time. Electric motors replaced the clang of steam engines, driving machines with newfound efficiency. Factories became more productive, and urban centers hummed with the glow of electric lights. Oil and electricity, once separate forces, began to converge. Standard Oil became a key enabler of this transformation, supplying the oil needed to fuel generators and power the electrification of cities. This electrification, in turn, spurred new demand for oil-powered innovations like automobiles and airplanes. Standard Oil grew so successful that its influence spanned nearly every aspect of the burgeoning energy economy. Its dominance in refining, transportation, and distribution made it an indispensable part of industrial progress. Its eventual breakup created companies that today we know such as the super majors, ExxonMobil, Chevron, BP, Total Energies and Royal Dutch Shell among others.

Over the past 25 years, the world has consumed approximately 750 billion barrels of oil—a staggering figure that far surpasses the modest volumes used during the two decades following the creation of Standard Oil in 1870, highlighting the dramatic growth in energy demand over the last quarter century. Back then, global oil consumption was primarily driven by lighting, lubrication, and early industrial needs, with annual usage around 20 million barrels—totaling less than 1 billion barrels over four decades, paling in comparison to the 100 million barrels we use today. The exponential growth in energy demand, fueled by industrialization, transportation, and

emerging markets, reflects the technological advances that have transformed the energy landscape since those early days. My career has given me a unique vantage point to witness and contribute to this transformation. I've helped capitalize and take energy companies public, bringing firms to market to drive growth in the North American energy sector and advised the world's super majors divestment and acquisition assignments. I've also been involved in the breakup of large, integrated energy companies, many with deep historical roots, gaining invaluable insights into the global distribution of modern energy assets—tracing back to Standard Oil's legacy, from oil fields to refineries and beyond. During a wave of $10s of billions in international investment into North America energy system, I facilitated M&A transactions where foreign capital sought North American technological expertise, particularly in unconventional oil and gas extraction technology. However, while North America mastered the operational complexities of fracking, attempts to replicate its success elsewhere proved too challenging, with labor intensity, geological variance, and operational intricacies hindering scalability.

The most recent major oil discovery that captured the industry's attention was the Liza field in Guyana, unveiled nearly a decade ago in 2015 by ExxonMobil, Hess and CNOOC. This 20-billion-barrel find not only transformed Guyana into a key player in the global energy market but also highlighted the challenges and complexities of modern oil exploration. At the time Hess owned a 30% working interest in the field and the broader Stabroek block in offshore Guyana. While Guyana's Liza field was a transformative moment, the trend of major finds has slowed and the industry has also largely consolidated amongst the largest energy companies with Hess getting acquired by Chevron, making future exploration even more difficult for the industry.

Guyana's discovery joined a shortlist of significant oil finds over the past two decades, including Brazil's deepwater pre-salt fields like Tupi and Búzios, Mozambique's Rovuma Basin, Uganda's Lake Albert Basin, and Iraq's Kurdistan Region. Each of these finds represented vast untapped potential, but also highlighted the growing difficulty of discovering oil in more conventional basins. These fields are located in previously overlooked or inaccessible regions, often requiring advanced technology, long timelines, and substantial capital investment to develop.

Nearly a decade after Liza, another huge frontier discovery was made in Namibia earlier this year. This time, Portuguese integrated company Galp Energy—alongside partners NAMCOR and Custos—announced its Mopane complex as a major frontier discovery. Initial estimates following the first campaign disclosed 10 billion barrels of oil equivalent (boe) hydrocarbons-in-place across the full Mopane complex. Some early third-party projections have speculated the broader system could ultimately prove to hold up to 20 billion barrels, subject to further appraisal and delineation. At a $12 billion market capitalization, Galp's 80% working interest in its Namibia discovery reminds me a lot of Hess' ~$20 billion market cap ahead of the development of the Liza field when the company was primarily a Bakken operator with some international assets. Similar to Liza, Mopane still needs to get proven out—requiring tens of billions of dollars in development costs with a likely joint venture partner farming in to carry the cost once the field has been proven out. This emphasizes that, even as new reserves are discovered, oil is increasingly scarce and difficult to develop and opportunities to participate in an oil exploration like Mopane via Galp will be harder and harder to find going forward.

Like many developing countries, not everyone in Namibia has access to electricity, making the country's recent discovery of significant oil reserves a moment of great promise. In a nation of under 4 million people, some schools just a few hours from Windhoek go without power for months, hampering education and daily life for young boys and girls. The oil discovery offers a unique opportunity to change that reality—if managed strategically and sustainably. The establishment of the Welwitschia Sovereign Wealth Fund (NESWF) is an excellent first step. Directing investments toward critical infrastructure—expanding electricity access and modernizing schools—should be the next goal. Drawing inspiration from Guyana's collaboration with reputable international oil companies, Namibia should continue attracting the capital and expertise needed to develop its oil resources efficiently, while also strengthening local infrastructure, power stations, and electricity generation.

Collaborating with Windhoek International School (WIS)—where I was once a student—I've witnessed firsthand the stark disparities between well-equipped institutions and rural community schools, including several identified by UNESCO in their education access mapping. Many of these schools lack electricity, leaving teachers without digital tools and students quite literally in

the dark. This inequity presents a moral imperative to address while seizing this once-in-a-lifetime opportunity for Namibia.

While offshore oil discoveries like Mopane have captured global attention, Namibia—and the broader Southern African region - must also consider the long-term role of natural gas, particularly given the significant associated gas volumes in the Mopane discovery and their potential to power local infrastructure. Oil may ignite economic transformation, but it is natural gas that will sustain it: powering homes, schools, and industries with a cleaner, more flexible fuel mix. As energy systems evolve globally, natural gas offers Namibia a chance not just to export molecules, but to build an inclusive energy economy at home.

In Namibia, Mopane presents not only a commercial opportunity but a moral one. To seize it fully, the country must also turn its attention inland. Onshore infrastructure—pipelines, compression hubs, small-scale LNG nodes, and modular processing stations—must become the next frontier. This will require a new development model: one rooted in partnership between the Namibian government and international operators, centered on long-term national capacity-building, not just resource extraction.

By building pipelines and infrastructure that carry natural gas inland, Namibia can begin to deliver energy to the very communities most deprived of it. The gas discovered offshore can power homes, schools, and hospitals not just in Namibia, but across Southern Africa—creating an interconnected energy corridor capable of transforming the region's economic future. This isn't just infrastructure—it's a new foundation for regional prosperity.

In many ways, natural gas is Namibia's opportunity to leapfrog—to avoid the mistakes of past energy booms that exported raw resources while importing poverty. With the right planning and partnerships, the transition to natural gas can be a transition to local empowerment, energy equity, and regional integration. As the global system pivots from crude to molecules, Namibia stands at the threshold of something much larger than a discovery. It has the chance to become a model for energy-led development in the 21st century.

As part of our broader engagement, we support education and community initiatives aligned with Namibia's energy transition priorities. These efforts help ensure infrastructure investments are

not only technically sound, but socially inclusive—connecting policy and capital to the lived realities of underserved communities. Namibia's story is still unfolding. But if harnessed wisely, its energy resources can power more than economies—they can empower generations.

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