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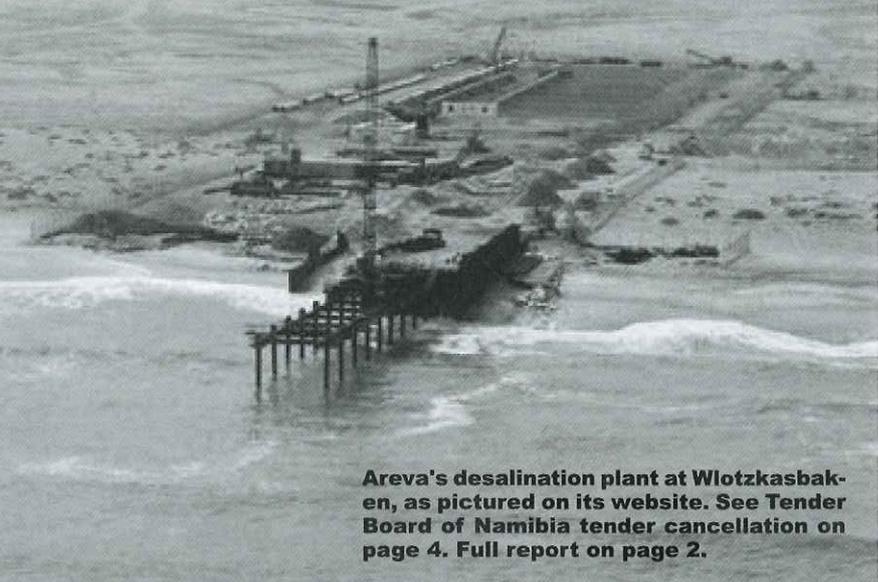
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Areva's desalination plant at Wlotzkasbak-en, as pictured on its website. See Tender Board of Namibia tender cancellation on page 4. Full report on page 2.

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Rubbing salt on the coast's water woes

The tender for Namibia's second desalination plant at Mile 6 on the coast has been cancelled after three years since its initiation in 2011, costing international consortia millions during their runaround to prepare bids and despite recent assurances by government officials that the tender would be awarded "in due course".

The final cancellation of tender F1/18/1-1/2011 was decided on by the Tender Board of Namibia at its meeting on 13 February 2014.

According to industry sources it cost the three pre-selected bidders over N\$10-million each just to prepare their tenders, which have now been wiped off the table.

The desalination plant, expected to produce 60ML potable water per day, was estimated to cost US\$1.5-billion to develop.

The contract was supposed to run over 20 years with NamWater as a compulsory shareholder of not more than 30% at the outset. After running the desalination plant on a Build, Own, Operate & Transfer (BOOT) basis for 20 years the plant would resort to NamWater's ownership.

Reasons for the unexpected cancellation are hard to come by, but speculation is rife that Areva Resources Namibia has signed a partnership agreement with NamWater to supply the coastal mines with desalinated water from its own desalination plant commissioned at Wlotzkasbaken in 2010.

NamWater referred all enquires to the MAWF, whose Undersecretary of Water & Forestry, Abraham Nehemia, told the *Bulletin* midweek: "I have not received documentation from Tender Board in that regard. I am busy trying to find such documents and only on the basis of what it says, could I be in the position to comment."

Timeline

The pre-qualification tender F1/18/1-1/2011 for the supply of desalinated water on a BOOT basis in the Erongo Region for the Ministry of Agriculture, Water & Forestry had closed on **20-May-11**. The names of 15 international companies who submitted bids were published in *Bulletin 914*.

In recorded time the Tender Board decided on **24-Jun-11** as well as **01-Jul-11** on the seven pre-qualified bidders who were invited to submit full business proposals **07-Jul-11**. They were:

- * Acciona Orascom
- * Befesa Water Project
- * Degremont WSSA
- * Hiflux/JCG/Itochu
- * IDE Technologies

- * Tedagua WABAG
- * Veolia Paragon Investment Holdings.

On **01-Nov-11** the Tender Board published a notice to [pre-qualified] tenderers that tender documents were available for collection at the Tender Board of Namibia. The financial bids for this tender closed on **29-Jun-12**.

A report on the three bids received and detailed background information on the process leading to the tender was published in *Tender Bulletin 967* on **06-Jul-12**.

When the tender closed on 29-Jun-12 the initial base price per cubic metre per day (to escalate over 20 years) was announced for three bidders as:

* IDE Technologies as lead developer (from Israel) with Veolia Water (France) and Paragon Investment Holdings (Namibia) = N\$17.37394c, alternatively N\$16.77394c

* Acciona Aqua SA (Spain) as lead developer with Orascom (Egypt) = N\$18.27c, alternatively N\$17.96c

* Abengoa Water SAU (Spain) with its subsidiary company Befesa Water (Spain) = N\$19.437c.

Some of the seven prequalified companies had teamed up for the financial round.

Since June 2012 these three bidders were apparently asked repeatedly by MAWF to 'hold their prices firm' while the evaluation was ongoing.

Background

A feasibility study for this project was done by NamWater as far back as **1996** targeting mainly municipal consumption.

In November 2007 NamWater launched a pilot study, appointed Rostek Associates of Florida (USA) as desalination consultant and approved four pre-qualified bidders in **Dec-07**.

Tenders closed on **13-Jun-08**, but this tender was subsequently canceled.

As part of a second round of tendering Namwater issued two tenders closing in **Sep-08** for EIA and EMP plans for the desalination plant, which was awarded to the CSIR of South Africa in Nov-09.

The Ministry of Agriculture, Water & Forestry and Namwater issued an EoI for financing/investing in a desalination project at the central coast in the Erongo region, which closed on **17-Mar-09**. Although preferred bidders were short-listed to prepare detailed business proposals on a BOOT or PPP basis, this process was also put on hold.

The latest tender - F1/18/1-1/2011 - is therefore the third desalination plant tender that has been cancelled.

The terms of reference for the project and technical specifications were published in *Bulletin 967* on 06-Jul-12 and in *Bulletin 857* on 26-Mar-2010.

Promises to start this year

The evaluation process was supposed to have taken six weeks to complete after the financial bids for the tender closed on 29-Jun-12. The MAWF Under Secretary of Water & Forestry, Abraham Nehemia, said at the time: "We are working towards

water flowing from the plant in 2014, so as soon as we are done with the evaluations, the successful tenderer will be informed and they will have to start mobilizing" (*Namibia Economist* 04-Oct-13).

As late as **Nov-13** Nehemia confirmed that government urgently needs to construct another desalination plant at Mile 6 in view of an impending water crisis at the coast.

The construction phase was supposed to start in 2014 and would cost an estimated US\$1.5-billion. The Ministry was considering three bids for the construction of the new desalination plant and the successful bidder "will be announced in due course", Nehemia promised (*Namibia Times* 03-Dec-13).

In its **October 2013** newsletter 'Water Times' Namwater also published that MAWF had announced that the construction of the second seawater desalination plant would commence in 2014, since government wanted to ensure its efforts are successful to secure water for human consumption as well as for industrial and commercial usage.

This desalination plant will supply water to the uranium mines that are currently supplied by Areva Resources Namibia through a NamWater driven agreement, according to NamWater's website.

Areva's interim arrangements

Bulletin 1025 published in Sep-13 that NamWater had signed an agreement with Areva Resources Namibia on **15-Aug-13** to distribute 10-m cubic metres of water annually to three uranium mines as an interim arrangement: Paladin Energy's Langer Heinrich Uranium Mine, Chian Guangdong Nuclear Power Company's Husab Uranium Mine and Rio Tinto PLC's Rössing Uranium Mine.

Areva's desalination plant at Wlotzkasbaken, capable of producing up to 20-m cubic metres annually, was built to supply water to its Trekkopje Uranium Mine (using approx. use 13-m p.a.), while excess water would be sold to other mines in the region.

However, Areva's Trekkopje mine was put on hold in 2012 due to declining uranium prices, and overcapitalization on the initial investment.

The agreement between Areva and Namwater is a "stop-gap measure, since private companies are not allowed to sell water", MAWF Under Secretary of Water & Forestry, Abraham Nehemia said at the time (*Namibian Sun* 26-Aug-13).

Namwater had meanwhile extracted about 9-m cu.m potable water from the Omdel aquifer and 6-m from the Kuiseb River to supply Henties Bay, Swakopmund and Walvis Bay. But the agreement to extract water from Omdel expired in Oct-13, when the permit was reduced to 4.5-m cu.m since the aquifer is nearly depleted due to a lack of inflow (*The Namibian* 16-Aug-13).

Rössing Uranium Ltd general manager for external relations, Penda Kiiyala, confirmed in **Nov-13** that Rössing had signed an interim off-take agreement with NamWater for its full

water requirement to be sourced from a desalinated water source as an interim solution. In 2012 Rössing Mine had consumed 3.10-million cu.m of fresh water (*Namib Times* 03-Dec-13).

Areva also recently signed an agreement to supply the Husab Mine project with 166,000 cu.m water monthly, amounting to almost 2-million cu.m annually.

Areva's MD, Hilifa Mbako, said at the time they were waiting for NamWater to confirm the final distribution agreement of desalinated water to the uranium mines.

The biggest stumbling block was apparently the agreed price at which water will be supplied to NamWater (*Namib Times* 03-Dec-13).

Areva now partnering with NamWater?

According to a Bloomberg news report Areva recently offered its N\$3-billion [sic] desalination plant to the Namibian government for an undisclosed amount. Under this deal Areva would retain a 10-20% shareholding in the plant. Areva Resources Namibia country manager, Hilifa Mbako, was not available for comment, nor could the deal be confirmed with NamWater (*Namib Times* 21-Jan-14).

Since then, Areva's country manager Hilifa Mbako announced that the company is not selling its desalination plant in the Erongo Region but was looking for a new local partner.

"We have identified NamWater as a possible partner and are in negotiations with them", he told *The Namibian* on 13-Feb-14.

When the N\$1.8-billion Areva plant was launched in 2010 it was announced that the Erongo Desalination Company would be a 50:50 joint venture between Areva and the United Africa Group - which now seems to be out of the picture. "Some things that were supposed to happen between Areva and United Africa did not take place", Mbako confirmed without elaborating (*The Namibian* 13-Feb-14).

Mbako did confirm, however, that the plant operated by Aveng Water is currently supplying water to Namwater, the Husab Uranium Mine and Rössing Uranium Mine (*The Namibian* 13-Feb-14).

Areva, the local subsidiary of the Sino-French energy group, hoped to resume the Trekkopje project in 2016, if uranium prices recovered sufficiently. According to Mbako market conditions are currently not conducive to re-start the project, while the uranium price is about US\$35 per pound - well short of an economically feasible price between US\$66-70 per pound (*The Namibian* 13-Feb-14).

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