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ENERGY AND NATURAL RESOURCES

Mozambique's Mining Law Under Review

Proposed Amendments to Law No. 20/2014 of 18 August

Mozambique's mining sector is poised for a major regulatory update designed to boost transparency, efficiency, governance, and sustainable growth. This reform is guided by a strategic vision to leverage rising global demand for critical minerals, aiming to attract private and foreign investment while protecting national interests through value retention and encouraging local industrial development. The proposal is aligned with Mozambique's Five-Year Plan, which prioritizes the expansion of the mining sector by revitalizing industrial processing capacities, strengthening local exploration, and ensuring transparent and inclusive management of mineral resources. Particular emphasis is placed on reducing raw mineral exports by promoting domestic processing, especially for minerals such as graphite and gold, supported by infrastructure development to facilitate commercialization.

The proposal is also consistent with the Mozambique National Development Strategy, which highlights the importance of adding value to mineral resources and establishing industrial parks in mineral-rich regions. Likewise, the plan calls for improvements in transport and logistics infrastructure to enhance the flow of mineral products and reduce conflicts among stakeholders. To support this vision, the legal framework is set to be adjusted to incentivize domestic transformation while leveraging private investment.

Interested stakeholders may submit comments and contribute to the proposed changes until 15 July.

Regarding the proposed bill, among the key new features, we highlight the following:

- **Retention license** – A Retention License will be introduced, granting holders of Prospection and Research Licenses the right to retain a proven mineral discovery area for a limited period while completing technological feasibility studies. This mechanism is designed to incentivize a smoother transition from exploration to production by providing the necessary time to conduct comprehensive evaluations before embarking on the full exploitation phase. Previously, the absence of such a license created challenges, as license holders were pressured to move quickly to exploitation or risk losing their rights, often before thorough assessments could be completed. This situation discouraged long-term planning and investment, leading to premature abandonment of promising sites and inefficient use of mineral resources.

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- **Online licensing and transparency** - A system for obtaining mining titles through an online licensing platform will be introduced, streamlining administrative processes and enhancing transparency. This represents a significant improvement over prior procedures, which were often slow, paper-based, and vulnerable to delays and opacity. Additionally, applicants, including foreign companies in transparent jurisdictions, will be obliged to disclose beneficial ownership reports. These measures are designed to combat illicit activities, addressing previous transparency gaps and corruption risks. This ultimately also creates a fairer environment for foreign investors, who will face less illicit and unfair competition.
- **State participation** - The State's will have the right to participate in all stages of mining activity - from exploration to commercialization - through its designated state-owned enterprise. While not mandatory in every case, this right of participation, set at a minimum of 20%, is expected to be exercised particularly in production phases. Importantly, such participation does not entail financial obligations for the State during the exploration and development stages.
- **Mining contract** - A new, more structured contractual model will be mandatory by law for strategic minerals and optional for other mineral types. It strengthens existing provisions and introduces new mandatory elements designed to ensure clarity while balancing investor interests with national development objectives. Notably, a minimum State participation of 20% is now required - an obligation that, although it may appear burdensome from an investor's perspective, often fosters stronger government alignment and facilitates licensing. The bill also reinforces the obligation to publish mining contracts and introduces explicit dispute resolution mechanisms, including arbitration, mediation, and conciliation, which enhance both transparency and legal certainty.

This contractual densification should largely be a source of confidence for investors, as it reflects a structured and predictable framework rather than a one-sided defense of State interests. In fact, most of these provisions were already contemplated by current law and routinely negotiated in practice - the bill now consolidates and formalizes them into a unified, enforceable framework.

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- **Strategic minerals** - These minerals are defined as those with significant socio-economic relevance and a decisive impact on national development but are yet to be listed. Under the proposed bill, mining rights for such minerals will be granted exclusively to the State's designated mining company. As such, any private entity wishing to develop strategic mineral deposits must establish a joint venture with this entity, in which the State will hold a minimum equity stake of 20%.
- **Local development** - A key new measure showing the State's focus on national interests - and important for investors - is the requirement to set aside at least 20% of the mineral production specifically for the domestic market, subject to refinement based on the specific mineral type. To encourage value addition, the proposed bill further mandates that a certain percentage of mineral ore undergoes processing within the country. While this measure does impose some burden on concessionaires, it will likely foster local development, thereby contributing to improved socio-economic and political conditions in project areas.

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- **Public tender** - Under the current mining law, public tenders are only required for areas previously subject to mining activity or under full or partial protection. The proposed bill seeks to expand this requirement to expressly include geologically studied areas with proven mineral potential, as well as mineral areas reserved for strategic purposes. This expansion broadens the range of available areas, enhances investment opportunities and, ultimately, promotes accessibility in the granting of mining rights.
- **Local content** - While local content obligations were already in place, the proposed bill reinforces and expands them. New provisions require foreign entities to associate with Mozambican partners in a way that demonstrably adds local value and impose a substitution plan for replacing foreign providers with national ones. For investors, these measures may add compliance layers but ultimately support long-term project stability by deepening local integration and reducing social and political risks.
- **New generic obligations for mining rights holders** - The proposed bill introduces a set of general obligations aligned with the broader reforms envisioned for the sector. For example, companies will be required to disclose payments to the State, report on local content and social responsibility expenditures, support scientific and educational initiatives, and facilitate quality control through certified reporting and government sampling. They must also preserve geological heritage, notify authorities of significant mineral finds, and process a portion of extracted minerals domestically. While these measures do not impose significant operational costs, they introduce regulatory layers that require careful planning and alignment with local development priorities. Additionally, specific duties have been added for holders of exploration licenses and concessionaires, though these mostly formalize existing practices.
- **Pledge of mining rights** – Mining rights will become eligible as collateral for credit, representing a significant advancement in mining sector financing. Such pledges will only secure loans aimed at financing mining operations, expanding activities, or introducing new technologies and all subject to authorization by the Minister responsible for mineral resources. Importantly, the pledge does not transfer possession or use of the mining rights, which remain with the holder. Transfers or additional encumbrances of the pledged rights require the express consent of the creditor. In the event of default, the pledged rights may be sold under strict legal conditions, including ministerial approval of the buyer.
- **Total and partial protection zones** - The proposed bill introduces stricter guidelines for mining activities in total and partial protection zones. Under its provisions, certain areas may be excluded or restricted from mining to safeguard national defense, biodiversity, and environmental interests. Publicly owned lands remain unavailable for mining unless officially released for other uses. Moreover, the bill requires a 200-meter buffer from the outer boundary of partial protection zones before a mining license can be granted.
- **Performance guarantee** - The proposal introduces the requirement for a performance guarantee to cover the extension period for the commencement of production, whereas previously the guarantee applied only to the initial production deadline. This financial obligation aims not only to ensure compliance with contractual timelines but also to safeguard the project's continuity and viability during its early operational phase.

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- **Mining treatment and processing licenses** - The rights and duties of holders of Mining Treatment and Processing Licenses are now clearly defined and detailed. Holders of a Treatment or a Processing License have the exclusive right to access designated areas, operate treatment or processing units, purchase ores from local miners, and sell the processed mineral products.

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On the duties side, both license holders must comply with applicable laws and approved feasibility studies, start operations within specified timelines (12 months for small scale, 24 months for large scale), and maintain production levels according to their approved capacity. They are also required to respect local communities, maintain accurate records and reports on their activities, inform the government of any changes in operational capacity, properly manage waste, and pay all due taxes. These provisions reinforce regulatory clarity and largely reflect current industry practices.

- **Exit of mining projects** - The proposed bill introduces stricter conditions and enhances oversight for the transfer and assignment of mining titles. Title holders must now submit detailed documentation when requesting title transfers, including activity reports demonstrating compliance with environmental and local development obligations, tax clearance certificates, and investment continuity plans. Transfers require prior due diligence to assess the technical, financial, and operational capacity of the transferee, including their environmental compliance and fiscal track record.

Notably, original title holders remain potentially liable for environmental or fiscal liabilities for up to 12 to 24 months after transfer or if more than 50% of social participation is assigned. The assignment of mining exploitation rights to third parties requires prior approval and submission of relevant compliance documentation, with the original holder retaining responsibility for all title obligations.

These new provisions increase regulatory scrutiny and promote responsible ownership changes, thereby protecting both State interests and investor security. For investors, this means greater transparency and due diligence requirements but also increased legal certainty and risk mitigation in ownership transitions.

- **Environmental concerns** - There are few major environmental changes, but consultation with affected communities is now mandatory and must be conducted continuously - before and throughout the implementation of the environmental management instrument, extending until the mine closure phase.
- **Infrastructure sharing** - Infrastructure sharing will address the high costs and environmental impact of mining facilities by allowing shared use of critical assets - such as ports, railways, roads, energy, and water - under clear regulations. This reduces operational costs, boosts resource efficiency, and eases access for small and medium investors. Sharing can be voluntary or mandatory, respecting principles of reasonableness, proportionality, non-discrimination, and fair compensation, and requires authorization from the mineral resources minister upon a justified request.

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- **Institutional reform** – The mining sector's institutional structure is to be transformed through the establishment of the Mining Promotion Agency and the Mining Licensing & Cadastre Authority. The Promotion Agency will focus on attracting investment and facilitating projects, while the Licensing Authority will manage licenses, maintain industry data, and enforce compliance. This centralization aims to improve transparency, efficiency, and governance, streamlining processes and encouraging responsible mineral resource development.
- **Rules for mining in the territorial sea and continental shelf** - The proposed bill clarifies the framework for granting and administering mining rights in maritime zones under Mozambican sovereignty, including the territorial sea and continental shelf. These rules require public tenders, consultation with marine and environmental authorities, and adherence to international instruments governing maritime resources.

Outlook and investor considerations

The forthcoming reform of the Mining Law reflects a strategic effort to align the sector with global shifts - particularly the rising demand for critical minerals, while reinforcing domestic control over resource use. At its core, the reform seeks to establish a more attractive, efficient, and predictable regulatory environment to stimulate private and foreign investment, without compromising the imperative to preserve national interests.

The proposed legal changes aim to unlock the country's mineral potential through streamlined procedures, clearer rules, and enhanced investor protections, while ensuring that mining activities contribute meaningfully to the domestic economy. This includes stronger local content requirements, formalized state participation, joint ventures for strategic minerals, and mandates for local beneficiation and domestic market allocation. At the same time, the reform aims to create new opportunities, expand the scope of public tenders, and promote investment throughout various stages of the value chain - from upstream prospecting and midstream processing, all the way to commercialization. While the changes do not introduce major operational costs, they add regulatory layers that will require strategic planning and sensitivity to navigate effectively.

Overall, the reform introduces a more structured and transparent mining regime, offering long-term stability for serious investors. It consolidates current practices into enforceable standards and provides a governance framework better suited to managing the challenges and opportunities of modern resource development. For investors prepared to align with these objectives, Mozambique presents an increasingly compelling proposition as a mineral-rich jurisdiction committed to responsible, inclusive, and opportunity-driven growth. ■