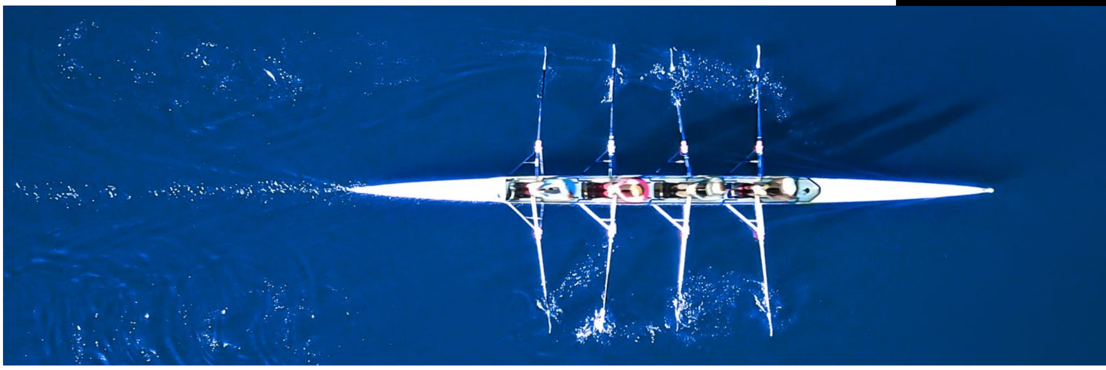

JUL. 25

MOZAMBIQUE

NEWS

ENERGY AND NATURAL RESOURCES

Mozambique's Petroleum Law Under Review

Proposed Amendments to Law No. 21/2014 of 18 August

The proposed bill for the new Petroleum Law focuses on strengthening the State's participation in petroleum projects and establishing a clearer and more comprehensive regulatory framework. Its main objectives are to enhance predictability and improve the efficiency of petroleum resource management, while continuing to promote private investment as set out in the 2014 Law. The proposal is aligned with Mozambique's Five-Year Plan, which outlines a phased expansion of hydrocarbon exploration, including the award of ten new concession areas and an increase in research contracts from 7 in 2024 to 16 by 2029. Particular emphasis is placed on the gas-rich Rovuma Basin, with a strong push for multiple new research areas in the initial years of the plan. It is likewise consistent with the Mozambique National Development Strategy, which identifies hydrocarbons as a cornerstone of long-term economic transformation and a key priority for government action.

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

Among the main new features, we highlight the following:

- **Expanded scope for carbon capture and storage** – The proposed bill expands its scope to include carbon capture and storage (CCS) as part of petroleum operations, explicitly recognizing it in the legal framework. It further confirms that petroleum activities — including CCS — may take place beyond Mozambique's borders, provided they comply with international law. Although this signals the government's interest in promoting sustainable practices, the precise operational and financial implications for operators remain to be fully detailed.

Nuno Morgado Pereira
Mozambique Desk and Banking and Finance team

Diogo Duarte de Campos
Martinho Paour
Public Law team

The proposal is aligned with Mozambique's Five-Year Plan, which outlines a phased expansion of hydrocarbon exploration, including the award of ten new concession areas and an increase in research contracts from 7 in 2024 to 16 by 2029.

MOZAMBIQUE

ENERGY AND NATURAL RESOURCES

- **Strengthening state participation** – The current law grants the State and ENH a decisive role in petroleum operations but does not establish an explicit minimum participation interest. By contrast, the proposed bill seeks to grant a right to an 40% non-dilutable minimum State stake in concession contracts covering proven, viable areas, exercised through the national oil company, ENH, E.P. Crucially, the State's share shall be funded by other concessionaires until the commencement of production. While this measure offers robust State oversight and revenue security, it also raises the cost of entry for foreign investors, who must factor in the additional financing burdens and accommodate a sizeable national partner stake.

- **More robust regulatory and audit powers** – The current Law provides for inspections and oversight of Petroleum Operations but in a comparatively less comprehensive framework. Indeed, the proposed bill grants the Petroleum Regulatory Authority (often the INP) expanded and clarified powers for oversight, including the authority to supervise and audit petroleum operations at any time - notably including cost recovery claims. For this effect, the holder of the rights to carry out Petroleum Operations must periodically update the reports on recoverable costs, in accordance with established regulatory standards, and make them available for inspection.

- **Community rights and social responsibility** – The proposed bill largely retains the core principles of the current framework regarding community engagement and compensation. It reinforces that prior consultation with affected communities must also be free and informed, as maintains that fair compensation is to be formalized through a memorandum of understanding between the government, concessionaires, and communities. Benefits such as remuneration for property improvements and socio-economic support remain unchanged, but human rights, and the nutritional and personal security of those affected, must now be expressly considered. The main novelty is the explicit reference to "definitive resettlement", permitted only after confirmation of the commercial viability of the resource - a clarification aligned with prior practice, but which may implicitly allow for temporary resettlement measures before that stage, thereby raising new questions about the timing and nature of displacement. That said, there is likely little change in costs for concessionaires, and investors can only expect to benefit from a more stable social license to operate over the long term.

Benefits such as remuneration for property improvements and socio-economic support remain unchanged, but human rights, and the nutritional and personal security of those affected, must now be expressly considered.

- **Enforcing local content** - While the current legal framework already provides a fairly comprehensive foundation for local content obligations, the proposed bill introduces greater detail and specificity. Provisions such as the requirement for concessionaires to include in their Local Content Plans workforce and succession strategies to ensure the hiring, training, and progressive promotion of Mozambican nationals across all project phases are maintained, but now with greater specificity and clearer implementation requirements. The proposed bill also mandates training plans aimed at increasing national participation, requires foreign legal entities to demonstrate that partnerships with Mozambican companies generate real value within the country and involve local stakeholders, and obliges them to present technology transfer plans. Furthermore, original equipment manufacturers providing operations and maintenance services must now establish a local presence through associations with Mozambican firms. These measures may increase overheads for operators and require careful planning to integrate local suppliers without sacrificing operations' quality.

MOZAMBIQUE

ENERGY AND NATURAL RESOURCES

- **National valorization and revenue sharing** – Another substantive innovation illustrating the State's prioritisation of national interests, and one which is pertinent to investment considerations, is the establishment of a locally adjusted price for domestic gas to foster industrial growth, alongside the new requirement that all condensates be allocated to ENH for marketing, use, and national development. All the while, the proposed bill maintains and clarifies the requirement that at least 25% of production (including LNG) must be reserved for the domestic market, with ENH playing a central role in marketing these volumes. An additional development, but one which does not impose any burden on concessionaires, is the allocation of 10% of petroleum tax revenues to provincial, district, and local communities hosting petroleum projects - a measure aimed at fostering local development and potentially contributing to improved socio-economic and political conditions in project areas.

- **Environmental accountability** - The proposed bill does not introduce major changes regarding environmental obligations: an Environmental Impact Assessment remains mandatory and must be complied with, and environmental liability continues to apply where harm is caused. However, it does introduce objective liability for environmental damage, public health incidents, or infrastructure harm resulting from petroleum operations carried out without a valid license. It also explicitly addresses marine infrastructure safety requirements and mandates the creation of decommissioning funds. The criterion for these funds is to be regulated in a separate legal instrument to be developed by the competent authority.

- **New contractual mechanisms and renewals** - A notable contractual innovation is the reduction of the exclusive development and production right from 30 to 25 years, with the possibility of renewal for an equal or shorter period. What is new is not only the express time limit but also the requirement that any renewal be justified on the basis of technical grounds and economic viability, in addition to alignment with the national interest.

Outlook and investor considerations

Overall, the proposed to Mozambique's Petroleum Law seeks to better integrate petroleum operations with national development goals, reinforce government oversight, and enhance transparency across all stages of exploration and production. In practice, the stronger role of the State, mandatory local content obligations, and tighter environmental requirements will likely increase operational costs and add regulatory layers that will require strategic planning and sensitivity to navigate effectively. However, these measures may also produce greater regulatory clarity and community support, potentially underpinning a more predictable operating environment in the longer term.

International oil and gas stakeholders considering ventures in Mozambique are advised to assess the full impact of mandatory State participation, local partnerships, and social engagement requirements, balancing higher upfront financial commitments against the prospect of stability and sustained investor confidence in a rapidly growing hydrocarbon arena. ■

PLMJ COLAB ANGOLA — MOZAMBIQUE — PORTUGAL

This document is intended for general distribution to clients and colleagues, and the information contained in it is provided as a general and abstract overview. It should not be used as a basis on which to make decisions and professional legal advice should be sought for specific cases. The contents of this document may not be reproduced, in whole or in part, without the express consent of the author. If you require any further information on this topic, please contact **Diogo Duarte de Campos (diogo.duartecampos@plmj.pt) or (Nuno Morgado Pereira (nuno.morgadopereira@plmj.pt).**