



# A Boom for Whom?

## Mozambique's Natural Gas and the New Development Opportunity

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SAIIA/MCLI Conference

'Mozambique's Future Trajectory: Challenges and Opportunities'  
30 September 2013



Mozambique is an  
'aid-addicted  
country'  
- Economist, IESE

'Petroleum resources are  
national assets whose  
proper exploitation can  
contribute significantly  
to national  
development'

'The government will  
use the gas to  
industrialise the  
country, to bring in  
rents and create jobs'  
- Govt. official

## QUOTABLE QUOTES

'Mozambique  
remains a country in  
transition'  
- Freedom House

While the gas  
discoveries are an  
economic windfall,  
they pose a serious  
challenge to the  
country  
- Gas Master Plan

There is a need to  
achieve a 'more  
significant economic  
and financial  
contribution from the  
undertakings carried  
out in the national  
territory'  
- Finance Min.

# Background

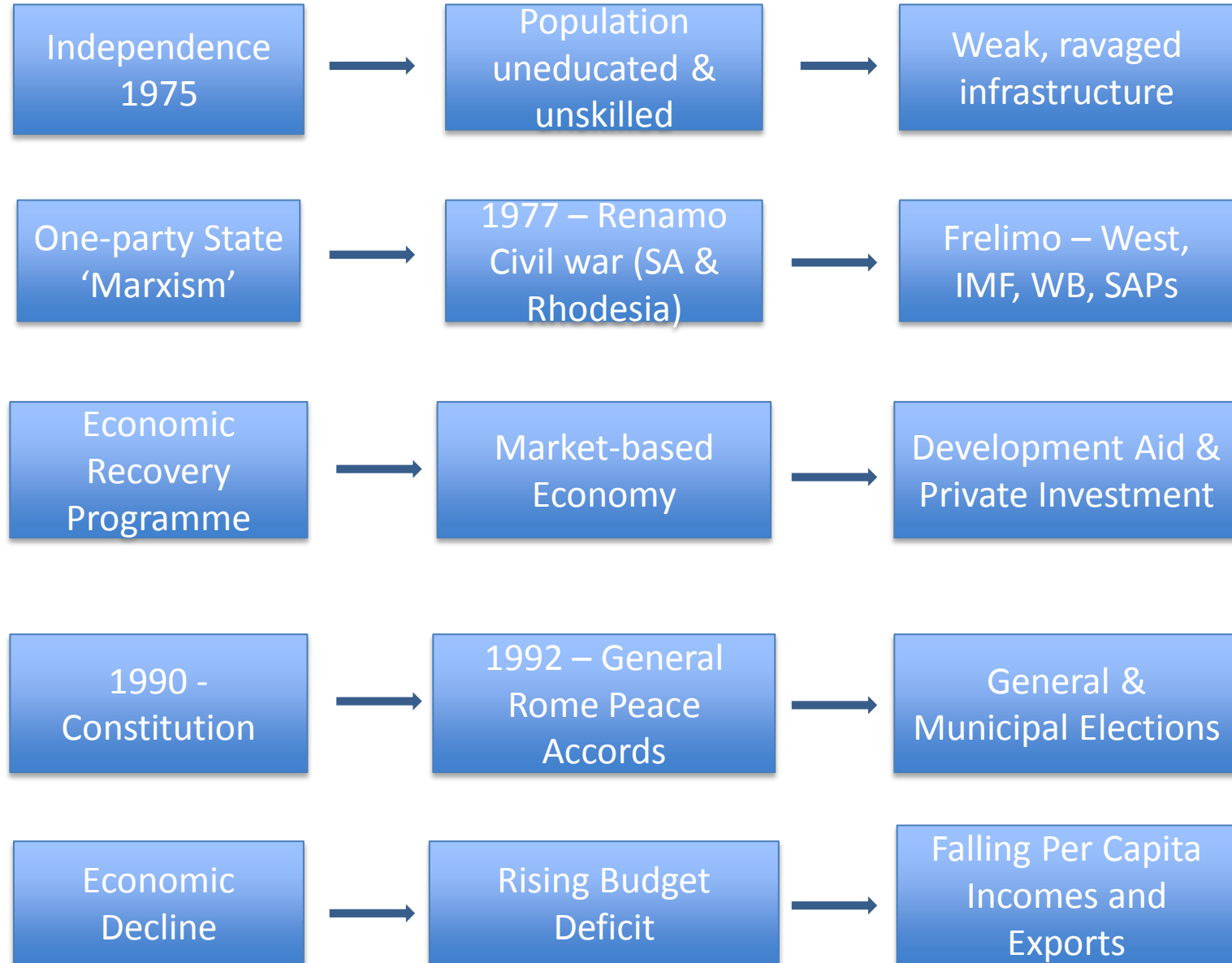
## Population & Geography

- South-east Africa
- Bordered by Tanzania, Malawi, Zambia, Zimbabwe, SA, Tanzania
- 11 Provinces, capital Maputo in Maputo Province
- Beira, Nacala, Maputo Ports
- Population – 24 million
- Surface area – 800 000 sq. km, coastline 2700 km north-south
- > 50% of the population living below the poverty line
- Relatively developed south
- Largely rural population dependent on subsistence farming
- English as the business language
- Tropical cyclones and floods
- Low literacy rate

## Economy

- Services, manufacturing, fisheries, agriculture, electricity exports
- 2011 GDP – US\$13.7 billion
- Donor aid as the single largest contributor to the national budget
- Value of extractive sector growing rapidly
- GDP 2012 – 7.4% (8.5% - 2013, AfDB)
- Coal, gas, heavy mineral sands, limestone, bauxite, rare earths, gold, base metals
- 18% households have access to power
- Mozambique emerging as resource haven and a major *hydrocarbon province*

# MOZAMBIQUE'S COMING OF AGE



# MOZAMBIQUE'S DEVELOPMENT MODEL

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graph TD; A[MOZAMBIQUE'S DEVELOPMENT MODEL] --> B[USING DONOR AID FOR DEVELOPMENT PROGRAMMES & PRIORITIES]; A --> C[PROMOTION OF MEG-PROJECTS FOR RAISING REVENUES TO BE USED IN STATE PRIORITY AREAS]; A --> D[SECTOR DEVELOPMENT];
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USING DONOR AID FOR  
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REVENUES TO BE USED IN  
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SECTOR DEVELOPMENT

# Mozambique: The Exemplar of ‘Peace, Stability and Growth’?

- G-19 – Governments and Agencies
- 2010 – 51.4% of state budget & 44.6% in 2011
- Project support vs. Budget support
- Decline in absolute poverty, GDP rates averaging 8% for several years, rise in adult literacy, increased access to water and sanitation and decline in infant mortality
- HDI 2011 – 184/187 (UNDP)
- Encroachment of donors into policy-making arena
- Impending shift in the donor-recipient relationship
- New opportunities investment models with less stringent conditions
- Strengthened negotiating position of GoM

# NATURAL GAS DISCOVERIES

PROSPECTS, OPPORTUNITIES &  
CHALLENGES





AREA	OPERATOR	ENH EQUITY
Area 1	Anadarko Petroleum	15%
Area 4	Eni	10%
Blocks 2 & 5	Statoil	10%
Blocks 3 & 6	Petronas	10%
Onshore Area A	Anadarko Petroleum	15%
Sofala	Sasol	15%
Areas 16 & 19	Sasol	15%
Area A	Sasol	10%
Buzi Block	PT Kalila Energy (Buzi Hydrocarbons)	25%
Inhaminga	DNO International	20%

# Gas Sector Developments

- 4 licensing rounds to date
- Gas fields leased in Mozambique and Rovuma Basins
- Sasol's Pande and Temane natural gas development in 2004 – 2.7 Tcf
- Rovuma Basin discoveries in 2010
- Estimated resource in place is ~150 Tcf
- Mozambique set to become '3<sup>rd</sup> largest LNG exporter'
- Equity sales on the rise:
  - ✓ PTT EP 8.5% in Area 1 US\$1.9 bn (2012)
  - ✓ CNPC 20% in Area 4 US\$4.2 bn (2013)
  - ✓ Oil India and ONGC 10% in Area 1 US\$2.48 bn (2013)
  - ✓ ONGC 10% in Area 1 US\$2.64 bn (2013)

- Anadarko & Eni sign Heads of Agreement for LNG development – 2012
- Amendment of the Petroleum Law No 3/2001
- Natural Gas Master Plan developed
- Capital Gains Tax signed into law – 2013
- Technical assistance to NPI and ENH – WB, Norway
- EITI compliance
- Anti-corruption Package

OPPORTUNITIES

LNG SHIPMENTS – 2018/19, 5 MTPA

GTL FACILITY – FUELS + CHEMICALS

SMEs - PROCESS HEAT

LARGE INDUSTRIES – PROCESS HEAT +  
FEEDSTOCK

INFRASTRUCTURE – PIPELINES, POWER PLANTS,  
PORTS, LNG TERMINAL

SERVICE INDUSTRY

LOCAL  
CAPACITY?

SKILLS

WHO  
BENEFITS?

# Prospects

- Increased autonomy of the Mozambican government vis a vis influential donors
- Export revenues for development projects and other priority areas
- Remittance of resource rents to communities
- Infrastructure
- Access to energy
- Support of 'bottom-up' development
- Economic diversification

# Challenges

- Good governance, transparency, corruption
  - ✓ 2011 Corruption Perceptions Index 120/182
  - ✓ Involvement of politicians in private sector
  - ✓ Inadequate judicial & administrative oversight
  - ✓ Insufficient public accountability
- Weak institutional capacity
- Commitment to 'mega-project' model
- Skills shortage
- Government's commitment to development of sound governance & management structures questioned
- LNG over capacity?

# Getting the Balance Right

- Increasing direct state revenues, legislative reform and renegotiating overly-lenient contracts vs. unfavourable investment climate
- Gas for export vs. gas for domestic use
- Taxation levels & rebates for mega-projects
- Economic diversification – ‘Resource Curse’ & ‘Dutch disease’
- Going further than the EITI

# Concluding Remarks

- Discoveries of ~150 Tcf have catapulted Mozambique into a major hydrocarbon province
- Context: prevailing socio-economic, legislative & institutional challenges
- Changes imminent in existing development model
- Steps towards good governance made, BUT strides needed
- Institutional and administrative capacity is critical in managing resource development
- Local needs balanced with higher level government priorities
- Managing expectations of the public
- Intent appears to be there, what Mozambicans need is to see it on the ground and in their lives.



‘the gas in Rovuma needs a fast approach if Mozambique is to get the most out of [it]. Contracts need to be signed; companies are anxious to get started’

- Official, Ministry of Planning & Development