

Mozambique may sign new gas agreements in September

Mozambique is on the cusp of a new wave of prospecting for gas and oil with the imminent adoption of revised model gas contracts.



Photo: Sasol

In 2015, the National Petroleum Institute (INP) announced the results of the fifth licencing round for the exploration and production of hydrocarbons.

The winning bids were from the Italian energy company ENI for the Angoche offshore block A5-A and from the US giant ExxonMobil for the adjacent Angoche Block A5-B and for the two Zambezi Delta blocks A5-C and A5-D. The South African company Sasol Petroleum was successful in its bid for the PT5-C block in the Pande-Temane area of Inhambane.

Finally, the INP accepted the bid from the London-based Delonex Energy for the P5-A block, in the Palmeiras area of Maputo province.

Three further companies came onboard as non-operator partners: the Russian company Rosneft is the partner of ExxonMobil, the Norwegian company Statoil will partner both ENI and Sasol, and the Indian Oil Corporation partnered Delonex Energy.

The first concession contract could be signed in September if the Mozambican cabinet, the Council of Ministers, approves

the draft currently before it.

Negotiations

The delay in agreeing the exploration and production concession contracts was due to intense negotiations between the government and the oil companies. Among the issues raised by the companies were inconsistencies in the petroleum law and other legislation relevant to their activities.

The companies also pushed for, and received, the adoption of a special exchange rate regime and the revision of the fiscal law covering hydrocarbon operations. Another issue that has been resolved is the clarification of the requirement of the companies to be listed on the Mozambican Stock Exchange.

The chairperson of INP, Carlos Zacarias, reaffirmed that negotiations with the companies successful in the fifth licencing round are now practically closed.

Zacarias explained that Delonex has decided not to proceed with its participation. He added that INP contacted Indian Oil but had not received signs of interest in it taking up Delonex's position. Zacarias suggested that in this situation, the P5-A block could be included in the next international licencing round in coming years.

Mozambique has vast reserves of natural gas, principally in the Rovuma Basin off the coast of the northern province of Cabo Delgado. The operators of the two blocks containing the gas, ENI and the US company Anadarko, both intend to take their final investment decisions next year on projects to liquefy the gas for shipment to international markets.

ENI is working with its partners on plans to construct a facility to produce 15.2 million tonnes of LNG per year with gas from Offshore Area Four. Meanwhile, Anadarko is planning to develop a 12.88 million tonne facility using gas from neighbouring Offshore Area One.

Anadarko hopes to begin production in 2023/2024 with ENI looking at 2024. However, both projects depend on the relevant consortiums reaching binding agreements with buyers.

Investment

ENI has already taken its financial investment decision to develop a floating liquefied natural gas (FLNG) project in Area Four. The FLNG platform is expected to begin production in 2022, with a capacity of 3.4 million tonnes of LNG a year. Under an agreement reached in 2016, all the LNG produced at the floating platform will be sold to British Petroleum (BP).

ENI's subsidiary ENI-East Africa holds a 25 per cent stake in the Mozambique Rovuma Venture, as does ExxonMobil. The other partners in the consortium are China National Petroleum Corporation, which holds a 20 per cent share, while Kogas of South Korea, Galp Energia of Portugal and Mozambique's National Hydrocarbon Company (ENH), each have a ten per cent stake.

Anadarko holds 26.5 per cent of the shares in the Mozambique LNG project. Its partners are Mitsui of Japan (20 per cent), the Thai group PTT (8.5 per cent), three Indian companies ONG Videsh, BEAS Rovuma Energy and BPRL Ventures (10 per cent each), and ENH (15 per cent). (AIM)