



Mozambique

EIC Country Report

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Executive summary

A lot has changed in Mozambique's energy space since the first country report was published in 2017. Half a decade later, more players have entered the market, projects have been sanctioned, and new sectors are attracting investments. The country continues to progress with the LNG developments despite the challenges that exist, while also actively exploring its renewables potential in large scale. From its substantial offshore gas reserves to its

burgeoning renewables sector, Mozambique is poised to become a nation to watch in 2022 and beyond. Realising these potentials is critical to ensuring an economic recovery post-COVID-19 and establishing Mozambique as a LNG powerhouse and renewables competitor.

Mozambique has been producing gas since 2004 through the Pande-Temane field, which has been the country's sole producing field. Since 2012, gas production has averaged 150-200 MGJ/a, with 80% exported to South Africa and the remainder sold domestically. All eyes are now on Mozambique's Area 1 and Area



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4 gas developments that are currently under developments where it could position the country among the major LNG exporters during 2022. In terms of electricity generation, Mozambique is heavily reliant on hydropower, though the solar and wind sectors have recently gained traction. Home to one of the largest hydroelectric power plants on the continent, Mozambique carries the most significant power generation potential of 12,500 MW in the region. The 2,075 MW Cahora Bassa HPP produces electricity for Mozambique, South Africa, Zimbabwe, Botswana, and the wider Southern African Power Pool (SAPP). Like gas, Mozambique only utilises up to 500MW of the capacity generated from the HPP with the majority of it transported to its neighbours.

Mozambique is on the brink of transformative economic growth through its LNG ventures. Even so, the path to domestic energy security has not been without challenges. Political instability and lack of investment in enabling infrastructures stymie the advancements of these developments. Recent militant attacks continue to endanger Mozambicans' lives as well as the operations of multibillion-dollar LNG projects. Government efforts to quell the insurgency have been laudable, and the international community's support demonstrates the importance of cross-border cooperation and integration at every stage of the value chain.

Mozambique stands at 153rd in the Economic Freedom Index, scoring 51.6 overall. Mozambique

is ranked 36th among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages. In 2021 Mozambique ranked 91st in the World Energy Council's Energy Trilemma Index (improved from 103rd in 2020 and 122nd in 2019). Although the country is among the strongest improvers on the environmental sustainability aspect, its energy security and energy equity remain compromised due to its limited electricity access rates (around 40%).

Mozambique intends to take a gradual and phased approach in term of energy transition. The country plans to utilise its natural gas as a transition fuel. This looks positive following the European Union (EU) intention to classify natural gas and nuclear as "green energy", which could benefit African producers like Mozambique. At the same time, the country is also looking to up the investments in hydropower, solar and wind. Its latest pledge in COP26 calls for achieving 62% of energy from renewable resources by 2030. The country submitted its updated Nationally Determined Contribution (NDC) in December 2021 where it plans to reduce greenhouse gas (GHG) emissions by about 40 MtCO₂ equivalent between 2020 and 2025.

With 200 Tcf (and counting) of natural gas reserves, gas-rich Mozambique is set to attract billions of dollars in investments, with potential to become the fourth largest global natural gas exporter.



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Modern hydrocarbon exploration began in 1948 after Gulf Oil was awarded an onshore concession covering much of the country's southern half. Pande Gas Field was Mozambique's first discovered field in 1961, followed by Buzi and Temane Gas Fields in 1962 and 1967. The oil and gas sector gained traction in 1981 with the enactment of Law 3/81 and the establishment of the state-owned oil company Empresa Nacional de Hidrocarbonetos (ENH), responsible for the research and exploration production and marketing of petroleum products. ENH represents the government of Mozambique (GoM) and participates in the hydrocarbon value chain with other operators to varying degrees (between 5 percent to 30%), with upstream and midstream as their priority. In 2004, the Instituto Nacional do Petróleo (INP), the country's petroleum regulatory agency, was established.

In 2012, offshore exploration activities picked up off the northern coast of the country which resulted to the discovery of Rovuma Basin's Offshore Area 1 and Area 4 with more than 150 Tcf estimated recoverable high-quality gas reserves. Mozambique has a total of six identified basins distributed over the country, with the Rovuma Basin and Mozambique Basin being the two most widely explored basins. The country has held five licensing rounds, with the sixth currently underway. The GoM has enacted a series of laws and decrees over the last two decades to strengthen the legal framework of the petroleum sector, ensuring greater competitiveness,

transparency, and national interests while maintaining a fiscally attractive investment.



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