

New Mozambique Oil Law

On 18 August 2014 the new Mozambique Oil Law was published - Law no. 21/2014. It entered into force on the same day.

The new Law aims to ensure increased competitiveness and transparency in the sector, as well as to reinforce the safeguards protecting national interests.

One of the main new features of this Law is to expressly include liquefied natural gas (LNG) in its scope, thus closing a *lacuna* in the previous Law, in addition to creating a new type of agreement, the “infrastructure concession agreement” that entails the right to build and operate infrastructures for the production of oil, such as processing and conversion, which are not included in the advanced development plan for research and production.

The new Law develops and introduces new concepts and regimes, such as the non-exclusiveness of reconnaissance concessions and the fact that oil burning for infrastructure check and performance tests or even for safety reasons is now subject to prior approval by the Government, contrary to what occurred under the previous Law.

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The role and participation of the State in this sector is also reinforced, the National Company of Hydrocarbons (ENH, E.P.) representing the State in oil undertakings and participating in all stages, from research to exploring, producing, refining, transporting, storing and marketing gas and its derivatives, including liquefied natural gas to liquids within the country and abroad, in addition to having the responsibility of managing the oil and gas share destined to the national market's development and the country's industrialization; therefore, any investor who is interested in exploring oil resources in Mozambique must enter into a partnership with ENH, E.P. The Law also provides that the State must gradually increase its participation in oil and gas undertakings.

The Government must also ensure that a certain percentage of the revenues generated by oil production, as determined in the State Budget, is channeled to the development of local communities and guarantee that a share of at least 25% of the oil and gas produced within the national territory is destined for the national market.

The role of the National Institute of Oil (INP) was also clarified as the national regulatory authority in charge of oil undertaking's management and promotion, acting under the Ministry for Oil; a new entity was also created, the High Authority of the Extractive Industry, which shall control oil activities.

Regarding the intervention of legal foreigners in this sector, the possibility of both legal foreigners registered in Mozambique and Mozambicans holding rights to act in oil undertakings remains. However, the Law now requires that any legal foreigner

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who, directly or indirectly, holds a legal person, who in turn holds rights under concession agreements, is incorporated, registered and organized under a transparent legal regime. The preemptive right when granting concession agreements remains in equal benefit to both the Mozambican people and legal foreigners who associate with Mozambican people.

It should be emphasized that the rules for transferring rights and obligations under a concession agreement were redesigned, now encompassing not only direct transfers to affiliated companies and third parties, but also other forms of transferring directly or indirectly participation interests in

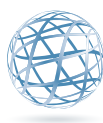
concession agreements, including the transfer of shares or other forms of participation of the holder of concession rights', consequently, they are now also subject to prior approval by the Government.

Law no. 21/2014 entered into force when it was published, 18 August 2014, having expressly revoked Law no. 3/2001, 21 February, and all other Laws that contravene; however, the rights obtained under concession agreements entered into under Law no. 3/2001 and that are still in force, shall remain in force.

The Government has 60 days from its publication to approve the new Law's regulation.



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