
THE ENERGY REGULATION AND MARKETS REVIEW

FOURTH EDITION

EDITOR
DAVID L SCHWARTZ

LAW BUSINESS RESEARCH

THE ENERGY REGULATION AND MARKETS REVIEW

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This article was first published in The Energy Regulation and Markets Review - Edition 4
(published in June 2015 – editor David Schwartz).

For further information please email
Nick.Barette@lbresearch.com

THE ENERGY
REGULATION
AND MARKETS
REVIEW

Fourth Edition

Editor
DAVID L SCHWARTZ

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PUBLISHER
Gideon Robertson

BUSINESS DEVELOPMENT MANAGER
Nick Barette

SENIOR ACCOUNT MANAGERS
Katherine Jablonowska, Thomas Lee, Felicity Bown

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Adam Myers

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MANAGING DIRECTOR
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Published in the United Kingdom
by Law Business Research Ltd, London
87 Lancaster Road, London, W11 1QQ, UK
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www.TheLawReviews.co.uk

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ISBN 978-1-909830-51-6

Printed in Great Britain by
Encompass Print Solutions, Derbyshire
Tel: 0844 2480 112

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ACKNOWLEDGEMENTS

The publisher acknowledges and thanks the following law firms for their learned assistance throughout the preparation of this book:

AFRIDI & ANGELL

ANDERSON MÕRI & TOMOTSUNE

ANGOLA LEGAL CIRCLE ADVOGADOS

ARZINGER

AVENT ADVOKAT

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EDITOR'S PREFACE

Our fourth year of writing and publishing *The Energy Regulation and Markets Review* has been marked by significant infrastructure development needs, low oil and gas prices, financial and economic sustainability measures, and carbon reduction programmes.

As many of the world's economies have begun to regain their financial footing following the global economic crisis, we are seeing a strong focus on infrastructure development. India is heavily engaged in providing economic incentives for the development of generation, transmission and distribution facilities, and many countries have acknowledged significant generation development needs to meet growing demand, including in Central Africa, Egypt, Uzbekistan, Indonesia and Malaysia. In the wake of Russia's annexation of Crimea, Ukraine is seeking IMF financing assistance to invest in power sector infrastructure, and New Zealand is looking to build large transmission projects.

We have also seen continued efforts to promote sustainability and development of green energy resources. Denmark has created a climate council and new regulatory requirements to encourage development of green energy and to promote conservation. France has adopted an aggressive new energy efficiency and conservation law that includes a new 'carbon' tax. The United States Environmental Protection Agency has proposed a Clean Power Plan to limit CO₂ emissions from existing generation facilities by 30 per cent by 2030. At the same time, however, a federal court of appeals in the United States has determined that the Federal Energy Regulatory Commission (FERC) had no authority to treat demand responsiveness (a form of conservation) with the same economic value as generation. Korea has been exploring eco-friendly sources of energy independence, and Brazil has encouraged renewable energy development to make up for reduced hydropower in recent years. Even China appears to be working to develop clean, safe and sustainable energy that reduces reliance on coal generation.

Oil and gas prices remain low, which appears to have allowed largely energy-dependent countries (such as Japan) to secure longer-term oil purchases, but appears to have had negative impacts on countries that largely rely upon oil export revenues, such

as Russia, Angola and Iraq. Efforts to reduce reliance on nuclear generation continue to create demand for other energy sources in Germany, Japan and France.

We have seen significant energy sector regulatory reforms in many countries. In Spain and Portugal, there have been efforts to reduce the tariff deficit and promote financial and economic sustainability. Poland has worked to reform its regulatory system to encourage competition and development, while, at the same time, protecting state-owned companies from hostile takeovers. Romania has sought to encourage competition and reduce political interference with the regulatory process. The United States has continued to struggle with how to allocate transmission costs fairly and efficiently under FERC's Order 1000.

Certain countries have continued their efforts to privatise state-owned companies. Turkey has engaged in an effort to privatise its generation facilities. Cyprus is continuing its efforts to privatise its state-owned utility company. India is privatising its coal mines, and Mexico is encouraging private oil companies to bid for exploration and production rights.

On the nuclear energy front, Turkey has moved forward in its efforts to develop its first nuclear generation facility. At the same time, Japan and Korea have sought to reduce their reliance on nuclear energy, and Germany has continued on its path to shut down all nuclear facilities, all in the wake of the 2011 events at the Fukushima facility in Japan.

I would like to thank all the authors for their thoughtful consideration of the myriad of interesting, yet challenging, issues that they have identified in their chapters in this fourth edition of *The Energy Regulation and Markets Review*.

David L Schwartz

Latham & Watkins LLP

Washington, DC

June 2015

Chapter 21

MOZAMBIQUE

Fabrcia de Almeida Henriques and Paula Duarte Rocha¹

I OVERVIEW

Mozambique is a rapidly developing country with great potential for the production and export of hydrocarbons and the generation of electrical power.

However, legislation in energy matters is only now trying to keep up with the pace of the growing complexity of the energy investments being made in the country, and the aspiration of establishing specific incentives for the generation of renewable electricity and for off-grid power initiatives in non-urban and ‘peri-urban’ communities. The framework of the electricity sector, the Electricity Act,² for instance, is over 15 years old, while regulation for natural gas – a booming sector in the Mozambican economy – is still scarce. A regulatory overhaul in the electricity sector is said to be in the pipeline and the new framework legislation for oil, approved by Law No. 21/2014 of 18 August, has, after several years in the pipeline, finally been enacted.

Recently, legislation has been enacted in the oil and gas sector, notably Decree No. 45/2012 of 28 December, relating to the production, import, loading, storage, handling, distribution, sale, transport, export and re-export of petroleum products (the Petroleum Products Regulation) and Ministerial Diploma No. 210/2012 of 12 September, relating to the setting of maximum retail prices for natural gas.

The electricity sector is a concession-based system with limited competition, in which one company, state-owned Electricidade de Moçambique, EP (EdM) is the national transmission grid operator, and also holds concessions for generation, transmission, distribution and supply of electricity. Other notable concessionaires include Hidroeléctrica de Cahora Bassa SA, which produces most of the energy consumed

1 Fabrcia de Almeida Henriques and Paula Duarte Rocha are partners at Mozambique Legal Circle Advogados.

2 Law No. 21/97 of 1 October.

in Mozambique, and MoTraCo SA, a joint venture between the Mozambican, South African and Malawian governments, which transmits power from South Africa to the Mozal aluminium smelter.

The oil and gas sector also has a concession system, where operating risks from the exploration of hydrocarbons are mostly borne by private investors. Empresa Nacional de Hidrocarbonetos EP (ENH) operates mainly in the upstream sector and holds participations in all oil and gas fields concessions in Mozambique. Recent years have witnessed very significant discoveries of natural gas, which have attracted several oil and gas players to the country and transformed the upstream industry.

In the petroleum products sector, there have been recent legislative attempts at creating an unbundled and competitive market. State-owned company Petr6leos de Moçambique SA (Petromoc) is active in the midstream and downstream sector, storing and selling petroleum derivatives such as fuels, oils and lubricants.

The latest and most detailed instrument of government policy for the energy sector is contained in Resolution No. 10/2009, of 4 June (the Energy Strategy), in which one can find the main policy goals defined by the Mozambican government in this matter, notably:

- a* to provide greater access to electricity and fuels to rural and peri-urban areas;
- b* to discourage the non-sustainable use of lumber as a source of energy;
- c* to stimulate the sustainable production of biofuels;
- d* to diversify energy sources;
- e* to implement a cost-based tariff system, one which includes environmental externalities; and
- f* to engage in international cooperation, especially with the Southern African Development Community (SADC).

Other important policy resolutions for the government can be found in (1) Resolution No. 27/2009 of 8 June, which adopted the Strategy for the Concession of Areas for Petroleum Operations; (2) Resolution No. 62/2009, of 14 October, which adopted the Policy for the Development of New and Renewable Energies; and (3) Resolution No. 64/2009, of 2 November, relating to the Strategy for the Natural Gas Market in Mozambique.

II REGULATION

i The regulators

The most relevant administrative entities regulating the Mozambican energy industry are:

- a* the Council of Ministers, for all sectors of the energy industry;
- b* the Ministry of Energy, for all sectors of the energy industry;
- c* the National Electricity Council (CNELEC), for the electricity sector; and
- d* the National Petroleum Institute (INP), for the oil and gas sector.

The Council of Ministers represents the executive branch of government in Mozambique and, as such, the Constitution and main legislative diplomas in this sector grant it

substantial powers in this field. As per the terms of the Constitution, the Council of Ministers may propose or enact legislation and promote and regulate economic activity. Making use of such powers, the Council of Ministers has adopted the vast majority of energy legislation in Mozambique.

In addition to the powers of legislation and regulation, the Council of Ministers has regulatory powers set out in the law, such as the granting of concessions (after the applicable tender offer) for electricity projects with nominal installed capacity of over 100MVA, as per the terms of Decree No. 8/2000 of 20 April (the Energy Concessions Regulation).

The Ministry of Energy, as part of the central government, also has important powers in what the energy sector in Mozambique is concerned, defined in Presidential Decree No. 21/2005, of 31 March, such as in adopting regulations in the energy sector and licensing the activities of storage, distribution, supply and sale of natural gas and petroleum products, as well as the granting of concessions of electricity projects with nominal installed capacity between 1MVA and 100MVA. More importantly, the Ministry of Energy is the entity that instructs and (in tandem with the Council of Ministers) decides on concession requests for electricity and oil and gas projects, and monitors the activities of the concessionaires.

CNELEC is the regulatory body for the electricity sector³ and its powers, mainly set out in the Electricity Act and Decree No. 25/2000 of 3 October, include:

- a* promotion of compliance with legislation in the electricity sector;
- b* issuance of opinions on a variety of issues, such as expropriation proposals for electric facilities' projects, new concessions and tariffs;
- c* performing studies on different aspects of the electricity sectors; and
- d* participation and supervision of public tenders for electricity concessions.

CNELEC also has mediation and arbitration functions for disputes arising between concessionaires and their respective consumers.

Finally, the INP has its powers set out in Decree No. 25/2004 of 20 August, categorised as:

- a* management of National Petroleum Database;
- b* research activities;
- c* powers relating to petroleum development, production and transport activities;
- d* powers relating to the safekeeping of operators interests; and
- e* general powers of administration, monitoring and regulation.

The INP also has powers to license as well as inspect any facilities relating to petroleum operations.

As for the applicable sources of law, the main framework legislation both in the electricity and in the oil and gas sectors is enacted in the form of law of the Mozambican parliament (the Electricity Act and Law No. 21/2014 of 18 August, the Petroleum Act).

³ In practice, CNELEC has not yet fully assumed its role as a regulatory authority, mainly exercising advisory functions in what regards to the aforementioned matters.

Regulation of this legislation is mostly adopted by the Council of Ministers in the form of Decrees. Finally, the Ministry of Energy may also issue orders.

ii Regulated activities

All activities in the electricity value chain (generation, transmission, distribution and supply) and most activities in the oil and gas value chain (prospection, research and production and transport of oil and natural gas, as well as the distribution and supply of natural gas) are subject to a regulatory approval by the Ministry of Energy, the Council of Ministers or local authorities, depending on what is established in the applicable law, in the form of a concession agreement. Activities in the petroleum products value chain (production, storage, transport, distribution and sale, as well as the operation of unloading terminals and oil pipelines) are subject to licensing by the Ministry of Energy in accordance with the terms of the Petroleum Products Regulation.

Energy facilities across all sectors are also subject to licensing, as per the terms of the relevant legislation.

Concessions in the electricity sector are subject to tender offers, in accordance with the Energy Concessions Regulation. Tenders must follow the guidelines set out in the terms of reference and are directed to the relevant competent authority (i.e., the Council of Ministers, the Ministry of Energy or local authorities). Tenders must also specify the technical and financial details of the project and provide sufficient evidence of the appropriate qualifications of the applicant. Hydroelectric projects require additional information on the characteristics of the hydroelectric use of the water resources; energy generation and transport concessions are also subject to additional requirements.

After the tender has been requested, CNELEC issues an opinion on the subject; projects that imply the acquisition of land use rights must also be preceded by a public consultation. After these steps have been undertaken, a decision by the relevant regulatory authority must be issued within 15 days. Such decision's effectiveness may be subject to conditions, such as expropriation or the granting of land use rights.

A favourable decision by the authority will determine the entering of a concession agreement, where terms such as duration, applicable taxes and tariffs, conflict resolution mechanisms, guarantees, reversion and applicable law must be included. The concession agreement must also include a draft of the agreement to be signed by the National Transmission Network operator.

Electricity facilities are also subject to the granting of establishment and operation licences by the Ministry of Energy prior to the start of operations. For the establishment licence, technical features of the facilities must be presented with the application, which must be decided within 15 days, except if additional documents or information are requested by the Ministry of Energy. If granted, the publication of an edict in the Official Gazette will ensue and the project for the construction of the facility may begin. At the end of construction, a site visit accompanied by a favourable opinion from the competent inspector is required for an operation licence to be issued.

Concessions pertaining to hydrocarbons prospection, research and extraction or construction and operation of pipelines are also subject to tender offers, as per the terms of Decree No. 24/2004 of August 20 (the Petroleum Operations Regulation). Exceptions are made for tender offers in which no bidder has been chosen, termination

of concession, or unitisation purposes. In this case, the diploma does not regulate the procedure and merely defines the information and documentation that must be presented by the applicant. As such, in this case it may be argued that general public procurement rules apply.

In the sale and distribution of natural gas, the competent authority to grant a concession depends on the area for distribution or sale awarded as per the terms of Decree No. 44/2005 of 29 November through a tender offer. As in oil and gas upstream concessions, the procedure for the awarding of a concession is also not regulated in the diploma.

Licensing of oil or gas facilities must include an establishment licence, requested from the INP, which has 10 days to decide upon receipt of the necessary information and documents, as well as the opinion of various regulatory entities such as for health, environment, labour and civil protection. The operation licence is then granted after construction, and a site visit made by a committee, which will confirm whether the facility conforms to the project, any regulatory conditions and applicable technical norms.

Finally, licensing of activities relating to petroleum products are subject to the approval of the Ministry of Energy and respective facilities, except for licensing of fuel stations for resale and sale to end-consumers, which are carried out by the local authorities and by the provincial directorates of the Ministry of Energy, respectively. Licence requests must be accompanied by several elements of identification, as well as the main technical characteristics of the facilities at which the activities will be undertaken; different activities entail specific documentation or information, which must be presented with the request. The licensing entity must decide within a period of 30 days from receipt of the request, and is bound by certain criteria to overrule it, such as the occurrence of anti-competitive effects stemming from the granting of such licence. Licences may be subject to conditions to be defined by the relevant licensing entity.

Before the start of operations of any of the aforementioned activities in the petroleum products fuel chain, licences must be registered after a mandatory site visit, to be carried out by a commission that includes representatives of various regulatory authorities, including the licensing entity.

iii Ownership and market access restrictions

In the electricity sector there are no obvious limitations on the ownership of both new and existing assets and companies in such business, nor direct restrictions on assets ownership save for the general merger and takeover control provisions introduced in Law No. 10/2013, enacted on 20 March 2013 (the Competition Act), the scope of which is the protection of competition in the undertaking of economic activities. Preference, however, is given to applicants for oil or natural gas concessions that are Mozambican nationals or are associated with Mozambican nationals if two or more applicants are on equal footing.

In the petroleum products sector, however, several restrictions of this nature exist, set out in the Petroleum Products Regulation, the most relevant being:

- a* the prohibition of the mingling of distribution and retail activities, except when it relates to liquid petroleum gas (LPG) or compressed natural gas and for training purposes (undertaken in fuel stations);
- b* licensed entities may be entitled to hold more than one licence in the value chain, as long as no anti-competitive effects stem from this situation; and
- c* only Mozambican nationals and Mozambican companies may hold licences for petroleum products (there appears to be no restrictions for Mozambican companies held by foreign equity holders, however).

There are no restrictions on the provision of regulated services (i.e., supply of electricity and natural gas) and no restrictions on the ownership of assets or licensed activities other than those set out in the previous paragraph.

iv Transfers of control and assignments

Transfer of interests in electricity concessions, of assets encompassed by an electricity concession and of establishment licences of electricity facilities are subject to regulatory approval by the regulatory authority that granted the concession or the licence, as per the terms of the applicable Mozambican law. Transfer of operation licences of electrical facilities is not possible under Mozambican law and, as such, should the licensee change, a new licence will have to be issued as per the terms of Decree No. 48/2007 of 22 October.

The procedure for the transfer of concession rights or assets encompassed by the concession itself is not clear in either the Electricity Act or the Electricity Concessions Regulation, but will likely depend on a request submitted to the relevant regulatory authority and, if land use rights are transferred, a public consultation, the same as with the granting of a new concession. In respect of establishment licences, the transfer will be subject to a request to the Ministry of Energy. No express standard of reviews or decision-making guidelines are established in these procedures for the regulatory authorities, but such authorities in Mozambique are, according to the Constitution, bound by principles of equality, impartiality, ethics and justice.

With regards to the transfer of interests in oil or natural gas concessions, there are no statutory restrictions for the transfer of interests. Concession agreements, however, may include assignment provisions, subject to approval by the Minister of Natural Resources of the transfer of the concessionaire's interest.

As for the petroleum products sector, transfer of facilities in the respective value chain is subject to prior authorisation from the Minister of Energy, who is bound to grant it if the licensee does not obtain, after the transaction, more than 30 per cent of market share for the relevant petroleum products market.

III TRANSMISSION/TRANSPORTATION AND DISTRIBUTION SERVICES

i Vertical integration and unbundling

Shortly after the independence of the Republic of Mozambique from Portugal in 1975, EdM was granted, by Decree Law No. 38/77, a quasi-monopoly in the generation, transmission and distribution of energy, with the exception of off-grid generation and

other existing concessionaires (notably the Cahora Bassa dam, albeit not in operation at the time). The result was a fully integrated vertical system in the electricity sector until the adoption of the Electricity Act. Nowadays, the sector is still bundled to some degree, as EdM still holds a single concession for distribution and sale of electricity. It is the main transmission concessionaire, as well as the national transmission grid operator, through the provision set out in Decree No. 43/2005 of 29 November, as unbundling requirements in this sector do not exist under Mozambican law.

With regards to oil and natural gas, there is also no formal bundling or concentration of the upstream industry, notwithstanding the fact that ENH is (and is legally obliged to be) a party to all concessions in the upstream sector.

Recent efforts towards the implementation of networks for distribution and sale of natural gas have been made, and the law determines that concessions must be unbundled. Concessions for suppliers of natural gas are further subject to an exclusivity period, after which third parties may sell natural gas to end-consumers.

ii Transmission/transportation and distribution access

Operators of storage, transport, transmission and distribution networks are obliged to provide access to such networks and to a non-discriminatory treatment of third parties.

In the electricity sector, the Electricity Act provides for the mandatory granting of access to third parties to electrical networks. Decree No. 42/2005 of 29 November (the National Transmission Grid Regulation) establishes that transmission concessionaires must enter into agreements for the transmission of electricity to any generation and distribution concessionaire, as well as any final consumer, that requires connection to the grid. Likewise, distribution concessionaires must guarantee the supply of electrical energy to all consumers who have the capacity to ensure payment for their respective connections. Connection may be refused only in certain cases, such as if the supply is in medium or low voltage and the requested capacity may cause damage to the distribution grid, or if the applicant is declared insolvent or bankrupt. Distributors also have the obligation to install new lines whenever so required (as long as a minimum consumption per 100 metres of new distribution lines is assured). Access to transmission and distribution grids must be made in a non-discriminatory fashion regarding quality of service and agreed-upon tariffs.

Pipelines and petroleum product facilities must also transport, store, unload or handle hydrocarbons or fuels from third parties without discrimination, as long as there is available capacity and no insurmountable technical issues exist. Capacity must further be increased if such operation does not affect the integrity of the facilities and as long as those third parties provide the necessary funding. Access to natural gas distribution networks, on the other hand, is subject to rules for negotiated access to be enacted by the Minister of Energy. In any case, treatment must be made with transparency and without discrimination against third parties.

Network providers in distribution and transmission of energy, as well as distributors of natural gas, are granted rights over a predetermined area. The law is not clear, however, on whether such rights are exclusive.

Finally, competition concerns have definitely played a role in the rules concerning third-party access to energy networks. Council of Ministers' resolutions regarding

energy policy mention tackling competition issues, which necessarily implies dissipating the negative effects of ‘bottlenecks’ for consumers by giving suppliers ease of access to electricity and natural gas networks. A general provision on the matter has been implemented by the Competition Act regarding the abuse of a dominant position.⁴

iii Terminalling, processing and treatment

Storage, processing and treatment of oil and natural gas, as well as the storage of petroleum products, are subject to licensing of the activity and registration of the respective facilities (see Section II.ii, *supra*). There does not appear to be any specific regulation on liquefied natural gas facilities.

iv Rates

As a general rule, rates for transport and distribution of energy are mostly determined by bilateral contracts rather than regulated tariffs (which are only set for the sale of electricity, natural gas and fuels to the end-consumer). There are, however, standards that some concessionaires must consider when setting the fees for the rendering of their services.

Nonetheless, the Electricity Act in the electrical sector establishes a ‘transit tariff’ for third-party use of transmission and distribution facilities, which is not regulated. The National Transport Grid Regulation determines that contracts entered into with transmission concessionaires must set rates that:

- a* assure non-discriminatory treatment of consumers;
- b* assure the coverage of costs consistent with ‘standard costs’;
- c* stimulate new investment in the expansion of electrical systems;
- d* induce the use of electrical systems; and
- e* minimise the costs for expansion or use of electrical systems.

As for distribution, rates are fixed with generation and energy supply concessionaires. For the latter, a tariff for use of the distribution system must be set.

Oil and gas pipelines operators as well as petroleum products storage facilities, are subject to ‘non-discriminatory’ and ‘commercially acceptable’ terms standards in the setting of use rates. In oil re-exporting services (in bunkers), rates must be fair, competitive and non-discriminatory, taking into account the prices charged in other terminals in Southern Africa.

Natural gas distribution network rates are set by concessionaires, subject to the rules of negotiated access set by the Minister of Energy.

4 Article 19(3)(b) of the Competition Act establishes that the following is considered an abuse of a dominant position: the refusal to grant, against adequate compensation, to any other company the access to a network or other essential infrastructure which the former controls as long as the latter cannot, for legal or practical reasons, operate as a competitor of the company which controls the assets. Such provision shall not be applicable if the latter demonstrates that such access is impossible under reasonable conditions.

v **Security and technology restrictions**

Energy legislation in Mozambique takes into account several security policy concerns, such as:

- a fuel supply security and safety;
- b theft of energy and theft and vandalism of power lines; and
- c energy supply and network security.

As regards supply security and safety of hydrocarbon fuels supply (e.g., gasoline), the Petroleum Products Regulation addresses safety concerns in petroleum products facilities by imposing several obligations on the respective owners, such as:

- a the obligation of distributor to keep a permanent deposit of 6 per cent (or 3 per cent, in the case of LPG) of the fuels acquired for sale in the previous 12 months, as well as ‘operational reserves’ of the aforementioned fuels;
- b the mandatory decommissioning of redundant petroleum product facilities;
- c specialised works on petroleum products’ facilities being conducted or supervised by licensed oil technicians;
- d the obligation to be subject to a five-year inspection obligation on petroleum product facilities; and
- e the prohibition on causing or allowing oil or petroleum product spills.

The Energy Strategy expressly issues recommendations for tackling the problem of theft and vandalism in the electricity networks, notably by advocating greater involvement of local communities in distribution and transmission power lines projects. Notwithstanding the foregoing, the Electricity Act establishes the theft of electricity or power lines as a crime.

Security of electricity supply is also a relevant concern in energy policy and the National Transmission System Regulation provides relevant rules on this subject. First, capacity of transmission and distribution networks must be adequate in relation to expected consumer demand. Solely regarding the distribution grid, the National Transmission System Regulation obliges distribution concessionaires to ensure service quality and supply of energy through the grid may only be interrupted under certain conditions. Finally the operator of the National Transmission System, as the coordinator of the electricity grids in Mozambique, has the obligation regarding the overall management of the system’s quality, security and continuity of supply.

IV ENERGY MARKETS

i **Energy market rules and regulation**

There are no organised markets for the sale of energy commodities in Mozambique. The import and export of electricity is subject to a concession, to be granted as per the terms of concessions for the generation, distribution or transmission of electricity (see Section II.ii, *supra*).

With regards to petroleum products, imports of LPG, gasoline, jet fuel and diesel, are aggregated through a company with both state and private ownership (IMOPETRO), and customers of this entity must be holders of generation or distribution licences. In

exceptional cases (i.e., to 'defend the country's economic interests') imports may be made through a duly licensed distributor and only if and when local production does not meet demand.

ii Contracts for sale of energy

The sale of electricity and natural gas in Mozambique takes place exclusively through bilateral agreements between generators and suppliers.

iii Market developments

As mentioned above, the electricity market is expected to undergo a regulatory overhaul, and statutes for petroleum operations and the fiscal treatment thereof were approved by parliament in August 2014. These statutes define new rules regarding state participation in oil and gas projects, introduce local content obligations and introduce changes to royalties and taxes payable for the production of oil and gas. One change worth noticing in particular is the obligation of a quota of at least 25 per cent of the oil, gas or both produced and sold in Mozambique.

V RENEWABLE ENERGY AND CONSERVATION

i Development of renewable energy

Recently, the Council of Ministers enacted the Policy for the Development of New and Renewable Energies. Its main objective is to promote greater access to clean energy through the equitable, efficient, sustainable and culturally sensitive use of new and renewable energy. So far, however, no concrete legislative actions have been taken to fulfil this goal.

Additionally, it is worth mentioning that the Regulation which Establishes the Tariff Regime for New and Renewable Energies was approved by Decree No. 58/2014 of 17 October. This statute sets out feed-in tariffs remunerating the electricity generated by: (1) biomass power plants; (2) wind farms; (3) mini-hydro power plants; and (4) photovoltaic power plants, with an installed capacity of up to 10MW and which comply with eligibility requirements defined in the diploma.

ii Energy efficiency and conservation

The aforementioned Renewable Energy Development Policy also approaches energy-efficiency issues but, as in the area of renewable energy, no rules or policies have yet been enacted to promote it.

iii Technological developments

Encouragement of greater technological developments in the field of renewable energies has recently taken place through the creation of a laboratory for photovoltaic energy, the first in the field of renewable energies in Mozambique.

VI THE YEAR IN REVIEW

Key events in the energy sector in 2014 for Mozambique include:

- a* the enactment of the new Petroleum Act and the first diploma establishing incentives for the generation of electricity using renewable sources (Decree No. 58/2014 of 17 October);
- b* the opening of a new licensing round for the offshore Rovuma blocks;
- c* discovery of an on-shore oil well near the town of Temane; and
- d* political tensions between the incumbent political party and the main opposition party (which have escalated into conflict in certain areas of the country) have delayed various investment decisions regarding natural gas projects.

VII CONCLUSIONS AND OUTLOOK

The Mozambican energy sector faces a multitude of challenges outlined through this chapter:

- a* the country's infrastructure is not sufficient to meet demand, reflections of which are large areas of the country without electricity or natural gas and outdated distribution networks of electrical power;
- b* due to the inefficient power purchase arrangement with South African utility company Eskom, Mozambique still has to 'import' electrical energy from its own hydroelectric power plant in Cahora Bassa; and
- c* oil and gas findings lack a stable governance structure with experienced players in the oil and gas industry in order for commercial development of such findings to begin. The enactment of the new Petroleum Act and the approval of respective regulations to be made in the foreseeable future may aid this goal.

These problems are being tackled, but most are very capital-intensive. Electrification of rural areas, promoted by the Mozambican Electricity Fund by way of small distribution networks and off-grid projects, and the various electricity generation projects that are being planned for this decade, are both examples of how the country is dealing with some of these issues.

Should these obstacles finally be overcome, there is no doubt that Mozambique is poised to become one of the key players in the sub-Saharan Africa energy market, with its abundant natural resources and strategic geographical position in the region.

Appendix 1

ABOUT THE AUTHORS

FABRÍCIA DE ALMEIDA HENRIQUES

Mozambique Legal Circle Advogados

Fabrícia de Almeida Henriques is a partner with MLC Advogados. Having started her career at Morais Leitão, Galvão Teles, Soares da Silva, in an early stage of her career with the firm she participated in several privatisations involving Portuguese companies, as well as in transactions in the area of project finance. More recently, her activity has been primarily focused on assisting national and international clients in M&A operations, mainly in the energy sector.

Currently she is a consultant of Morais Leitão, Galvão Teles, Soares da Silva in all matters pertaining to Mozambique.

Ms Henriques was a lecturer at the law faculty of the University of Lisbon from 2000 to 2011. Currently, she lectures at the Eduardo Mondlane University and the Superior Institute of Science and Technology of Mozambique, both located in Maputo.

She has participated in several conferences and seminars on securities, banking, e-commerce and internet law.

PAULA DUARTE ROCHA

Mozambique Legal Circle Advogados

Paula Duarte Rocha is a partner with MLC Advogados.

Even before finishing her degree in law, she started her career as a legal assistant and then as a legal assistant to a partner at Pimenta, Dionísio & Associados. From 2000 to 2002 she provided multi-disciplinary legal consultancy at the tax and legal services department of PricewaterhouseCoopers, cooperating with national and foreign investors. She was also an associate lawyer and senior legal adviser at MGA Advogados & Consultores.

More recently, Ms Rocha was managing partner and lawyer at Ferreira Rocha & Associados, Sociedade de Advogados, involved in all areas of practice advising national

and foreign private companies with respect to public sector laws, public tenders and contracts, as well as advising foreign entities in the compliance with all Mozambican tax, labour and commercial obligations.

MOZAMBIQUE LEGAL CIRCLE ADVOGADOS

Edifício JAT V-1

Rua dos Desportistas, 833, 6º andar

fracção NN5

Maputo

Mozambique

Tel: +258 21 344000

Fax: +258 21 344099

fahenriques@mlc.co.mz

pdrocha@mlc.co.mz

www.mozambiquelegalcircle.com