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Energy: Oil & Gas

Mozambique – Law & Practice

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Henriques Rocha & Associado member of MLGTS Legal Circle as Mozambique Legal Circle (MLC) has assisted international clients in important and innovative projects in Mozambique. The firm is a reference both to multinationals and law firms without a local office. MLC is the Mozambican member of the MLGTS Legal Circle. It consists of a network of associations and alliances based upon the sharing of values and common principles of action to create a platform to deliver high quality legal services to clients of all firms. Lawyers offer expertise in a wide range of practice areas including energy and natural resources, corporate and commercial, tax, project finance, construction and litigation.

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1. General Structure of Petroleum Ownership and Regulation

1.1 System of Petroleum Ownership

In Mozambique, all petroleum resources located in the soil, subsoil, inland waters, territorial sea, continental shelf and in the exclusive economic zone are the property of the State.

In addition, the Government reserves the right to participate in petroleum operations in which any legal entity is involved; any such participation of the Government occurring during any phase of the petroleum operations in accordance with the terms and conditions is to be established in the applicable contract.

The Government controls the prospection, exploration, production, transport, commercialisation, refining and transformation of liquid and gas hydrocarbons and their derivatives, including petro-chemical and Liquid Natural Gas ("LNG") and Gas for Liquids ("GFL") activities, and may also, either directly or indirectly, engage in complementary or ancillary activities.

The definition of "petroleum" applies to: "Crude oil, natural gas or other natural concentrations of hydrocarbons, in the physical state in which they are found underground, produced or capable of being produced from crude oil, natural gas, bitumen and asphalts."

1.2 Regulatory Bodies

The National Petroleum Institute ("INP") – www.inp.gov.mz – is the regulatory entity responsible for the administration and promotion of petroleum activities, under the tutelage of the Ministry of Mineral Resources and Energy ("MIREME") – www.mireme.gov.mz – responsible for the petroleum activities and the guidelines for public and private sector participation in the prospecting and exploration of petroleum products and their derivatives.

The Alta Autoridade da Indústria Extractiva – an entity recently established and whose composition, status, powers, skills and organisational structure are still to be defined by the Council of Ministers – operates as the controller of petroleum activities.

1.3 National Companies

The Government-owned Empresa Nacional de Hidrocarbonetos, EP ("ENH") – www.enh.co.mz – is the national oil company responsible for the prospecting, exploration, production and commercialisation of petroleum products, representing the Government in petroleum operations.

It is ENH's responsibility to participate in all petroleum operations and the respective stages of the activities, from prospecting, exploration, production, refining, transport, storing and commercialisation of oil and gas and their derivatives, including LGN and GTL (Gas to Liquids) inside the country or abroad. It is also ENH's responsibility to manage the oil and gas quotas destined for the development of the national market and the country's industrialisation.

Any investor interested in the exploration of petroleum resources in Mozambique must enter into a partnership with ENH; the Government guarantees the financing of ENH – as its exclusive representative – for investments in the improve-

ment and stabilisation of the Government's participation in the oil and gas business.

1.4 Laws and Regulations

Under the Mozambican legal framework, "petroleum operations" are defined as: "Planning, preparing and performance of reconnaissance, appraisal, development, production, storage, transportation and the termination of such activities or the end of use of the infrastructures, including the implementation of demobilisation plans, sale or delivery of oil to the export point or agreed delivery point, that point being where oil is delivered for consumption or use or loaded as merchandise, including in the form of liquefied natural gas."

The principal laws and regulations applicable to upstream activities in Mozambique are as follows:

- The Petroleum Law (Law 21/2014, of 18 August 2014) establishes the rules for the granting of rights to carry out petroleum operations in the Republic of Mozambique and beyond its borders insofar as it is in accordance with international laws. The law applies to petroleum operations and to any infrastructure belonging to or held by the holder of rights or third parties and used in connection with oil operations, subject to Mozambican law and including mobile infrastructure under a foreign flag located in Mozambique with the purpose of conducting or assisting in petroleum operations in a concession contract area, unless otherwise established by Law.
- Regulations on Petroleum Operations (Decree 24/2004, of 20 August 2014) regulates operations under the Petroleum Law, setting out the rules for the awarding of the right to conduct such activities in order to ensure that petroleum operations are performed in a systematic manner and on such terms that allow for its comprehensive and co-ordinated supervision.
- The Petroleum Tax Law (Law 27/2014, of 23 September 2014) establishes the specific tax regime for petroleum operations and applying to corporate entities incorporated and registered in the Mozambican territory, as well as to national or foreign individuals who carry out petroleum operations under a concession contract.
- Special Regime for Natural Gas Liquefaction Projects in Areas 1 and 4 of the Rovuma Basin. (Decree Law 2/2014, of 2 December 2014) applies to concessionaires under existing exploration and production concession contracts ("EPCCs"), any special purpose vehicles established by such concessionaires and any persons entering into contracts with concessionaires or special purpose vehicles (contractors, financiers and employees) as well as their subcontractors, and in connection with activities relating to the development and operation of Offshore Areas 1 or 4 and which are undertaken under existing EPCCs or any other contracts with the Government of Mozambique.
- Regulation of Employment of the Foreign Citizens in the Petroleum and Mining sector (Decree 63/2011, of 7 December 2011) establishes the legal regime applicable to national and foreign employers from the petroleum and mining industries and to the foreign citizens who intend to work in these industries.
- Environmental Regulation for Petroleum Operations (Decree 56/2010, of 22 November 2010) establishes the requirements to be satisfied in order to perform oil operations. The regulation specifies Environment Impact Assessment procedures, and protection and control measures in order to prevent environmental disasters.
- The Strategy for Concession of Areas for Petroleum Operations (Resolution 27/2009, of 8 June 2009) establishes the legal regime which will guide the concession of appraisal and production of oil rights either offshore and onshore, contributing to the development of the extractive industry in Mozambique.
- The Mega-Projects Law (governing public-private partnerships (PPPs), large-scale projects and business concessions) (Law 15/2011, of 10 August 2011) establishes the legal framework conducive to, on one hand, a greater involvement of private partners and investors in pursuing investments in public private partnerships, large-scale projects and business concessions and, on the other hand, greater efficiency, effectiveness and quality in the operation of resources and other national property assets, as well as the efficient provision of goods and services to society.
- Mega-Projects Law Regulation (Decree 16/2012, of 4 July 2012) establishes the applicable procedures for contracting, implementing and monitoring Public-Private Partnerships, Large Dimension Projects, and Business Concessions ventures.

Further to the approval of a new Petroleum Law last year, the current Petroleum Operations Regulation had to be reviewed in order to follow the recently enacted diploma. This review is being conducted by the INP, with several other important entities providing their contributions, and it is currently under analysis by the council of ministers; a draft Regulation was released on or around 14 July 2015.

As the applications for the fifth licensing round regarding new concession areas in Mozambique – 15 blocks located in the offshore Rovuma, offshore Zambezi and Angoche, and onshore around the Pande-Temane concession and Palmeira areas – is near to completion, and is also being conducted by the INP, it is expected that the INP will put forward the intention of having the Regulation come into force in time for the granting of the new concessions.

With regard to downstream activities, the following legislation must be taken into account:

- Rules on Import, Export, Distribution,

- Storage and Transport of Oil Products (Decree 45/2012, of 28 December 2012).
- Model for the Fuel Supply Contract between the Distributor and Retailers (Ministerial Order 142/2014 of 28 August 2014).
- Regulation for the Construction, Operation and Security of Fuel Supply Stations (Ministerial Order 176/2014, of 22 October 2014).
- Regulations for Determination of Maximum Supply Prices of Natural Gas (Ministerial Order 210/2012 of 12 September 2012).
- Regulation on the Licensing of Petroleum Installations and Activities (Ministerial Diploma 272/2009, of 30 December 2009).

2. Private Investment in Petroleum – Upstream

2.1 Allowed Private Investment in Upstream Interests

Private investment in upstream interests for conducting petroleum operations are granted through concession contracts and are generally attributed by a public tender process. Such rights may also be attributed by simultaneous or direct negotiations in relation to areas that had already been declared available when

- no concession was granted pursuant to previous public tender,
- rescission, relinquishment and abandonment or
- the need to join adjacent areas to a concession, where justified for technical and economic reasons.

Concession contracts are administrative contracts, subject to the authorisation of and supervision by the Administrative Court, the main clauses therein being subject to publication.

The following rights may be conferred under concession contracts:

- Reconnaissance;
- Exploration and production;
- Pipeline construction and operation; and
- Infrastructure construction and operation.

2.2 Upstream Licences

The INP defines which areas are available and then opens bids to those interested, making available to everyone interested the prerequisites, as well as the guidelines for applications and the bidding criteria, which are very comprehensive. The site where this information can be found is: http://www.inp-mz.com/documents.

2.3 Typical Fiscal Licence Terms

The typical fiscal terms for upstream activities encompass a combination of corporate income tax and royalty-based taxation, in addition to bonus payments, training programmes, relinquishment funds and other financial obligations set out in the concession contract.

Accordingly, concessionaires are in general subject to the Petroleum Production Tax ("IPP"), to the specific rules of the Corporate Income Tax ("IRPC") as well as to the Mechanisms of Production Sharing – the latter drawing on the traditional concepts of cost petroleum, available petroleum, profit petroleum and produced petroleum.

A percentage of the income generated by petroleum operations must be allocated to the community in the area where the petroleum operations are undertaken. The percentage payable is established by the state budget law, which takes into account the estimated petroleum production income for the relevant period.

2.4 Tax Regime

In general, concessionaires are subject to all direct and indirect taxes in force in Mozambique.

The Petroleum Law explicitly addresses the IPP, IRPC and Custom Duties.

IPP (which is equivalent to a royalty) is due on the value of the oil and gas produced in Mozambique at the development and production site. Liability for IPP arises when the oil or gas is extracted, and the applicable tax rates are 10% for crude oil and 6% for natural gas based on the value of that petroleum. These rates are reduced to 50% when the production of petroleum oil and gas is destined to be used by the local industry.

IPP is not considered a cost for IRPC.

Specific rules relating to the IRPC cover ring-fencing, cost definition, depreciation rates, capital gains taxation and the mechanisms for production-sharing with the Government.

The standard IRPC rate is currently 32%, applicable to companies and similar corporate entities (petroleum operators included), for income generated in Mozambique and abroad (worldwide income).

Petroleum rights, ie rights related to immovable property and all capital gains, arising from the direct or indirect transfer of petroleum rights, between non-resident entities, with or without permanent establishment, are taxed at the rate of 32%. This capital gains tax is due from the seller or transferor but the purchaser and the Mozambique entity holding the petroleum rights have several and joint liability for the

payment of the tax. This provision mainly entails that gains resulting from the direct or indirect transfer between non-resident entities of shares or other participating interests or rights involving assets located in the Mozambican territory, whether for a consideration or not, are considered to be income obtained in Mozambique, irrespective of the place where the transfer occurs.

Exploration costs are considered to be a cost in the financial year in which they are incurred, subject to special provisions in concession contracts. Provisions created by companies involved in the petroleum extraction industry related to the reconstruction of wells can be deducted for tax purposes, in addition to those provisions designed for the recovery of the landscape and environment of the exploration site after the conclusion of the work being undertaken.

Exemption from customs duties for a period of five fiscal years is provided for in the law, in particular on the importing of capital goods to be used in petroleum operations.

2.5 Special Rights to National Companies

The Government reserves the right to participate in petroleum operations involving any person and may participate, at any stage, in terms and conditions contractually agreed. Any such Government participation is to be made through ENH and any investor interested in exploring Mozambican oil resources must proceed in association with ENH.

One of the aims of the new Petroleum Law is to reinforce the role of the Government in the sector and it is expressly stipulated that the Government should promote, in a progressive manner, the increase in its participation in oil and gas companies; however, no indication is given as to what amount that stake should be.

The Government is to guarantee that Empresa Nacional de Hidrocarbonetos, EP, the Government's representative in the oil and gas business, takes the lead in the marketing and commercialisation of the referred products.

Under the recent fifth Licensing Round, the ENH stake was established at 10%.

2.6 Local Content Requirements

Besides promoting the Mozambican business community in the oil and gas sector, the Government should ensure that no less than 25% of the oil and gas produced in the national territory is destined for the national market and should regulate the acquisition, price and other matters integral to the use of the aforementioned oil and gas quota.

Where the national interest so requires, the holder of a reconnaissance exploration and production, infrastructure, construction and operation and oil pipeline or gas pipeline system right is required to give preference to the Government regarding the acquisition of petroleum produced in the concession contract area. The Government may also request the petroleum product at negotiable prices for use in local industry whenever Mozambique's commercial interests demand it.

Foreign entities that provide services to the petroleum operations must collaborate with Mozambican individuals or corporate entities and should also give preference to goods and services purchased or obtained from them. This preference requirement is to apply if the prices offered by Mozambican individuals or entities do not exceed 10% of the cost of importing such goods and/or services.

The Petroleum Law further establishes the requirement to ensure the employment and training of Mozambican nationals, as well as their participation in the management of petroleum operations.

The Petroleum Law also provides that oil and gas companies must be listed on the Mozambican Stock Exchange.

2.7 Development and Production Requirements

Any discovery must be reported to the INP within 24 hours of its detection, and the INP must also be kept informed with regard to the test results and evaluation of the commercial discovery, based on an appraisal programme by the operator to evaluate the discovery. Within six months after completion of the appraisal programme, the operator shall submit an appraisal report containing the results of the activities performed and their evaluation.

Within one year of the submission of the appraisal report, the operator shall contact the minister who has authority over the petroleum industry to confirm whether the petroleum deposits covered by the discovery may be commercially developed, and this notification shall include a declaration of commerciality comprising a complete description of the relevant data, surveys and evaluations which led to such conclusions – the Declaration of Commerciality – which shall constitute the basis for the Government's decision as to whether it will exercise the option to participate in the development and production of the petroleum deposits.

Should there be reasonable evidence to suspect that one or more of the petroleum deposits covered in the commercial development of a discovery extends into neighbouring exploration and production areas, the operators involved shall, within six months of the Declaration of Commerciality, seek to reach agreement on the most reasonable manner of unitising the development and production of said petroleum deposits. If this unitisation agreement is not reached, the Minister with authority over the petroleum industry may serve notice to the relevant operators declaring that such an

agreement should take place within three months of that notice. Should the operators fail to reach an agreement within the mentioned timeframe, the minister may refer the matter to the opinion of a sole expert.

A development plan must be submitted to the INP within a maximum period of one year of the date of Declaration of Commerciality. This development plan, and its subsequent implementation, shall be based on the rational use of the petroleum reserves and existing facilities. The production of petroleum from multiple zones with reserves through a sole line of production will only be authorised if that method of production is necessary to render the production commercially profitable.

In order to ensure that the Government's and operator's objectives are compatible, the INP shall be consulted on the scope and content of the development plan, which must take into account the respective economic, technical, environmental, safety and existing resources features of the development.

In the event that the development includes an oil or gas pipeline system, the requirements of a pipeline development plan will also be applicable.

Approval of a development plan for a petroleum deposit which covers more than one EPCC area will be contingent upon the signing of the unitisation contract amongst the respective operators.

2.8 Other Key Terms of Upstream Licences

A reconnaissance concession contract grants the non-exclusive right to carry out preliminary exploration work and assessment operations in the concession contract area, through airborne, terrestrial and other surveys, including geophysical, geo-chemical, palaeontological, geological and topographical studies. This contract is executed for a maximum period of two years, non-renewable, and permits the drilling of wells to a depth of 100 metres below the surface or at the bottom of the sea.

An EPCC contract grants an exclusive right to carry out petroleum exploration and production, as well as a non-exclusive right to construct and operate oil or gas pipeline systems for the transportation of crude oil or natural gas, or infrastructure for liquefaction of gas produced from the concession contract area, except where access to an existing oil pipeline or gas pipeline system or other existing infrastructure is available on reasonable commercial terms. The exclusive right to petroleum exploration, under an EPCC, will not exceed eight years.

In the event of a discovery of crude oil or a discovery of non-associated natural gas, an extension may be granted of up to two or eight years respectively, depending on the complexity of the work needed to conduct an appraisal programme or a commercial evaluation of the discovery.

An oil pipeline or a gas pipeline system concession contract grants the right to construct and operate oil pipeline or gas pipeline systems for the purpose of transporting crude oil or natural gas, in those cases where such operations are not covered by an EPCC. An oil pipeline or a gas pipeline system concession contract is to be accompanied by the relevant development plan, which is an integral part of the concession contract.

The concession contract for the construction and operation of petroleum infrastructure grants the right to construct and operate infrastructure for petroleum operations, such as processing and conversion, which are not covered by an approved exploration and production development plan. The construction and operation of an oil or gas pipeline system, as well as the concession and operation of infrastructure, are enabled through a concession contract following a public tender.

The Government may authorise concessionaires who have discovered oil and gas deposits not associated with the development of projects for the conception, construction, installation, ownership, financing, operation, maintenance, well usage, facilities and related equipment, whether onshore or offshore, for the production, processing, liquefaction, delivery and sale of gas in the national market and for export.

Concession contracts may terminate under the following circumstances:

- Total relinquishment of the contract area;
- Rescission; and
- Abandonment.

Concession holders are obliged to constitute a fund for the abandonment and decommissioning of infrastructures and, according to the current Petroleum Law Regulation, the decommissioning plan should be submitted for MIREME approval at least two years prior to the end of the petroleum operations and should contain the following information:

- final production plans and economic limit for the end of operations;
- alternatives for the continuation of petroleum operations;
- subsequent use or disposal of the premises;
- sealing and abandonment of production wells;
- chronogram of decommissioning activities and equipment necessary to restore the land and/or the sea bed;
- inventory of equipment and dangerous chemicals on the premises and plans for removal; and

- environmental impact assessment of the decommissioning and abandonment activities.

2.9 Requirements for Transfers of Interest

The direct transfer of rights and duties attributed under a concession contact to a subsidiary or to a third party is subject to governmental approval and must observe Mozambican law. Such governmental approval is also necessary for the direct or indirect transfer of the participation interest in the concession agreement, including through the assignment of shares or any other form of ownership stake of the entity holding the concession rights.

In order to ensure compliance with the terms and conditions of the petroleum exploration authorisations, operators must present financial guarantees in terms to be regulated.

3. Private Investment in Petroleum – Downstream

3.1 Allowed Private Investment

The licensing and supervision of activities and facilities related to the receipt and transport of crude oil by pipeline or other raw materials used in the production of petroleum products, as well as the storage and transport of crude oil, including local production, except with regard to the attribution of rights for petroleum operations under the terms of the applicable legislations in the geographical areas covered by such rights, are set under the Rules on Import, Export, Distribution, Storage and Transport of Oil Products.

For the purposes of this legal document, the term "distribution" is defined as the integrated exercise of the importation and receipt of liquid fuels or their acquisition from a producer or distributor, and their storage, cumulatively with one or more of the following activities related to liquid fuels: mixing, transport and sale.

The distribution and trade of piped natural gas and the international transit service are governed by specific legislation.

In order to obtain economies of scale, Liquefied Petroleum Gases ("**GPL**"), car fuels, aviation and illumination fuels and fuel oils are imported by a single private entity, Importadora Moçambicana de Petróleos, Limitada ("**IMOPETRO**") – called the Liquid Fuels Purchases Operator – with the national retail oil company Petróleos de Moçambique S.A. ("**PETROMOC**") holding 51%, and all authorised operators participating in proportion to their stake in the domestic market.

The acquisition of fuel products using governmental credits or donations is also carried through IMOPETRO, with some exceptions. The potential suppliers are chosen through international public tender.

IMOPETRO is supervised by the Commission for the Purchase of Liquid Fuels ("**CACL**"), an entity established with the purpose of ensuring the transparency and competitiveness of the processes of purchasing liquid fuels and any petroleum products, using government donations or credits.

IMOPETRO attributions include:

- Drawing up the purchase plans and the proposals for revision;
- Mobilising the funds necessary to comply with the acquisition programmes;
- Preparing tender documents, launching tender processes, evaluating proposals, proposing the selection of suppliers, negotiating and assigning the contracts for the financial intermediation of the acquisitions;
- Negotiating the terms of use of foreign currency funds for the payment of importations, credit cards, bank guarantees and other bank operations necessary for importation;
- Negotiating and hiring the services of agents, transport operators and petroleum product handlers, insurers, inspectors and brokers and any other entities whose participation may be necessary;
- Confirming the shipments and supervising all the actions and follow-up actions, from the point of origin to the delivery of the products to the warehouse, including any notifications, warnings and claims which may be necessary in each case.
- Co-ordinating the distributors and:
  a) Financial institutions for the purposes of payments due for importations;
  b) Customs for all procedures related to the dispatch of products and payment of any customs levies due;
  c) Any other entities involved in the processes of acquisition to co-ordinate the respective actions and essential payments.

IMOPETRO is also responsible for:

- Systematically researching the national and international markets in order to maintain complete and up-to-date data on international prices and other items related to the supply of petroleum products, in current and future terms and on all potential suppliers;
- Periodically obtaining the necessary data from distributors in order to compare their market shares and any possible additional requirements;
- Regularly collecting, compiling and divulging specific statistical data on purchases and trade by each distributor and on international prices.

IMOPETRO also co-ordinates the purchases of amounts in foreign currency which the distributors may need for the payment of relevant import invoices, together with the bank or banks selected to carry out the financial intermediation of the importation of liquid fuels, or together with the operator of the respective syndicate of banks.

Distributors are responsible for the payment, in the proportion of the quantity of the products effectively received, of the costs of the products and other expenses regarding the acquisition, including those which have occurred since disembarkation at the point of entry of the products into storage, and customs duties.

IMOPETRO may charge the distributors a commission destined to cover functioning expenses and ensure the reposition of investments made which are necessary for the performance of its attributions.

IMOPETRO cannot, inter alia, pursue the activity of production, distribution or commercialisation of oil products, nor hold equity in any company or make financial commitments that are not directly connected to its attributions.

3.2 Rights and Terms of Access to Downstream Operation Run by National Monopoly

The following licences may be granted to private investors:

- Production;
- Storage;
- Distribution;
- Retail;
- Exploration of Oil Pipeline; and
- Exploration of Unloading Terminal.

The aforementioned licences are generally granted by MIREME; however, licences for retail activities in a petrol station are granted by the Provincial Directorates (Direcções Provinciais) responsible for energy (except for the storage or supply of compressed natural gas or when located inside protection areas within the authority of MIREME) and licences for retail activities in resale stations are granted by the municipality or district government in the respective areas of jurisdiction.

An entity may hold more than one of the aforementioned licences, as long as that does not condition the development of competitive markets for the petroleum products in accordance with the activities the entity pursues. However, the holder of a distribution licence cannot hold a retail licence except:

- in the case of liquid gas and compressed natural gas and
- for the operation of a sole point of fuel supply for the purposes of training in each of the country's provinces.

In exceptional cases, the minister responsible for the energy sector may authorise the distributor to operate more than one point of supply per province.

The production licence comprises the categories of large-scale production and small-scale production. The retail licence covers the operation of retail activities at fuel supply points and the operation of retail activities at points of resale.

3.3 Downstream Licences

The following comprises the principal documentation instructing any application for downstream activities licences:

- a certified copy of the identification document and Criminal Record Certificate, in the case of an individual; in the case of foreign citizens, a residence or employment permit and proof of domicile in the national territory;
- a certificate of registration with the Legal Entities Registry and a copy of the articles of association (statutes), in the case where the applicant is a corporate entity; and
- a taxpayer number (NUIT);

An application for a storage licence is, in particular, to include a description of the prices and tariffs for each service being rendered at the relevant facilities. Entities holding storage licences have an obligation to receive, dispatch, handle, store, mix or conduct, without discrimination and in acceptable commercial terms, a third party's fuel-related products in their facilities, as long as they have enough technical capacity and provided that the products are technically compatible. This access to third parties is subject to a payment, based on the industry standards. The transfer of oil products between facilities, including by tank vehicles, is to take place in strict compliance with the applicable health, safety and environmental rules.

An application for a distribution licence must also include:

- a list of the storage facilities to be used by the applicant for each product, including those facilities being shared with other distributors (and with detailed information on the location, capacity, ownership, and identification of other distributors sharing the same facilities and plan of investments to be made on storage infrastructures for a period of at least five years counting from the date of application for the licence);
- proof of ownership and registration of the storage facility for the various products being distributed, and for the purposes of creating permanent reserves in the national territory; the storage facility is required to have a minimum capacity of 10,000 cubic metres and must be located at an oceanic terminal;
- a storage contract entered into with the tanks' owner or with the storage facilities' owner (when not owned by the applicant) valid for at least 24 months and for a guaranteed

capacity of at least 10,000 cubic metres, and linked to at least one oceanic terminal, except where the licence is for GPL distribution, in which case a guaranteed capacity of 100 cubic metres is required.

Any holder of a distribution licence must only sell the petroleum products mentioned in the respective licence to holders of a supply point retail licence or to holders of a registration document for consumer facilities. These are banned in quantities of less than 400 litres of liquid fuels and 110 kg of LPG, per delivery or capacity of recipient.

Loading of petroleum products onto any means of transport for which a valid registration document or certificate for petroleum equipment has not been presented is prohibited.

In exceptional cases, the minister who is responsible for the energy sector may authorise the sale of petroleum products by the distributors to any retailer who holds a licence for retail at points of resale.

Distributors are specifically required to keep in storage in national territory, specifically at an ocean facility in each region in which they operate, a permanent reserve for each of the following petroleum products:

- No less than 6% of the quantities acquired for trade and own consumption in the previous twelve months to be extracted, in the case of motor fuel, aviation gasoline, aviation fuel, illumination oil, diesel fuel and fuel oils;
- No less than 3% of the quantities acquired for trade and own consumption in the previous twelve months to be extracted, in the case of LPG.

Applications for a production licence must include:

- a description of the production process;
- the products' names and their respective capacities; and
- a rough outline of the location.

Applications for a retail licence at a fuel supply point must include the following:

- the address of the location of the fuel supply point;
- copy of the registration of the facility; and
- a copy of the contract for the supply of petroleum products with a licensed distributor.

The holder of a licence for retail at a fuel supply point must only sell the petroleum products mentioned in the respective licence to end users and to retailers who are holders of a licence for retail at a point of resale, or to holders of a registration document for consumer facilities, in the case of quantities greater than 110 kg of LPG or 100 litres of illumination fuel, per delivery or recipient, in the terms defined in the Regulations for Construction, Exploitation and Security of Liquid Fuel Supply Points. LPG recipients with an individual capacity of less than 3 kg (the maximum quantity is 50 kg) are excluded from these requirements.

The retailer must only acquire petroleum products from a licensed distributor with which it has entered into a supply contract. Furthermore, a retailer holding a licence for the operation of small-scale activities at points of resale must only acquire the product from a licensed retailer. For these purposes, sales of up to 10,000 kg of LPG and 3,000 litres of illumination fuel per month at petroleum facilities are classified as small-scale activities, in the terms defined in the Regulations for Construction, Exploitation and Security of Liquid Fuel Supply Points.

Authorisation for the construction of any petroleum facility must be made in co-ordination with the entity responsible for registration of the facility. The relevant application must contain the following information and/or documentation:

- a site plan provided by the entity with jurisdiction over the area in which the petroleum facility is to be installed, and the respective authorisation for its construction;
- a certified copy of the DUAT – land use and development right – or any other title arising from the law or from a contract conferring legitimacy to proceed with the construction;
- design of the petroleum facility with the pieces designed to an appropriate scale; and
- an environmental licence for the implementation of the project issued by the competent entity – the Ministry for Land, Environment and Rural Development.

Special importation authorisations may be granted for the importation of aviation gasoline and asphalt and other bituminous products. It is up to the minister responsible for the energy sector to oversee the processes for special importation authorisation.

The licensing entity must consider the licence application within a maximum period of 30 days from the date of submission.

Charges for licensing vary between MZM1,000 and MZM1,000,000. In addition to the licensing charges, applicants for licences are liable for a payment of a geographic incentive fee of MZM1,500,000, charged on the basis of location and number of installations and equipment.

Before beginning the exploitation of any petroleum facility and/or equipment, the owner must request an inspection of the facilities and/or equipment for the purposes of registering with the competent entity. Once the inspection has been completed and compliance with the applicable techni-

cal regulations has been verified, the competent body in the energy sector should carry out the registration of the facilities by means of the presentation of proof of payment of the registration fee.

The following must be registered: the exploitation of the petroleum facility, storage for own use, tank vehicles, point of supply, production facility, storage facility, discharge terminal and oil pipeline, except in cases in which the total capacity of the products stored on the premises is less than 400 litres for liquid fuels and 110 kg for gaseous fuels.

The owner of a facility must communicate in writing to the licensing entity, within a period of 15 working days, the occurrence of any event which leads to any amendment of the registered items, namely:

- the transfer of property, for any reason;
- the change of the operating entity and of the respective technician responsible;
- any amendment to the type of petroleum or petroleum products authorised by the respective registration;
- any substantial change to the facility (change of capacity and any change which, in any way, may affect the conditions of the running or operation of the facility, including the replacement or repair of pipework, tanks, pumps or structural elements).

3.4 Tax Regime

Maximum sale prices for petroleum products for consumption on the national market are established in the national currency per standard parameter of unit measure, as shown in the following sequence:

- Bulk cost of imported product, stored in the warehouses at the distribution terminals (Base Cost);
- Bulk sale price set by the distributors (Distributor's Sale Price);
- Price of Sale to the Public; and
- (Base Cost.

The Base Cost for each product is the cost of the imported product at the distribution terminals, located:

- at the port of Maputo (Lingamo – Matola), in the case of LPG; and
- at the ports of Maputo (Lingamo – Matola), Beira or Nacala, for the remaining products.

The Base Cost is obtained from the following components:

- the Base Price;
- correction of the Base Price; and
- costs with importation.

The Base Price, for each petroleum product, is the CIP price at the distribution terminals, which is to include port or docking expenses related to the product or tanker, demurrages, commissioning, unloading losses and other related expenses, whenever they are not included in the calculation of the Importation-related Costs component.

The Importation-related Costs component represents the value for covering the losses related to the acquisition, disembarkation, handling, transport and reception of the petroleum products at the distribution terminals, which must include bank, port, administrative and unloading losses, and the commission for the services of IMOPETRO, as long as they are not considered in other components of the price structure, excluding the CIP price.

The Distributor's Sale Price ("**DSP**") for each product is the maximum price of bulk sale to the distribution terminals' address employed by the distributors, and is obtained by the sum of the following components:

- the Base Cost;
- the Distributor's Margin; and
- the fiscal charges in force.

When supply to the distributors is not carried out in bulk – considered to be a quantity of product greater than or equal to 400 litres per delivery, item of packaging or container – packaging costs may be added to the DSP.

The Price of Sale to the Public ("**PSP**") for each petroleum product is the maximum price to be employed at points of sale and points of storage of liquid fuels, located in the municipalities of cities with distribution terminals. The PSP is to be obtained by the sum of the following components:

- Distributor's Sale Price;
- Transport Differential;
- Retailer's Margin; and
- fiscal charges in force.

The prices of sales to the public may also include:

- compensation for transport;
- items in addition to the operators' margins; and
- packaging costs.

It is the responsibility of the ministers responsible for the energy and finance sectors to establish the mechanisms for calculating the PSPs of the mixture of biodiesel with fuel oil and of ethanol with petrol, by means of the Joint Ministerial Statute.

For sales made outside the territorial municipalities of cities with distribution terminals, the Distributor's Sale Price may

be added to the transport costs in force on the market for cabotage, train and/or road transport.

For bulk sales carried out at the client's address in cities or towns where there are central storage facilities, the Distributor's Sale Price may be added to the transport differential. The purpose of the transport differential is to charge the operating costs and to achieve an adequate return on investment, for the bulk transport of the products between the central storage facility and the supply or resale point or the consumer's premises, situated within the same location.

The retailer's margin represents the maximum limit of the profit margin to be employed by the retailers, to cover operating costs, in addition to an adequate return on the investment and working capital necessary for the retail of the respective product.

Prices of any petroleum product are to be revised monthly, and are to be updated and communicated to the duly licensed distributors on the third Wednesday of each month, or, if it is a bank holiday, on the working day immediately following it, wherever:

- the respective Base Cost has a variation greater than 3% compared with the in-force Base Cost on the date of the calculation, or
- there is an alteration in the applicable fiscal charges.

It is up to the ministers responsible for the energy and finance sectors to proceed with the alteration of the prices of petroleum products, provided that the price of sale to the public of any product does not vary more than 20% compared with the in-force price.

The Council of Ministers is responsible for the alteration of the prices of petroleum products, wherever the variation in the price of sale to the public of any product is greater than 20% compared with the in-force price.

3.5 Other Key Terms

Any entity licensed to exercise the distribution of petroleum products may provide bunker services for the re-exportation of those products, as long as it carries out the activities together with sales in the national market.

Entities not based in the country which seek to carry out bunker activities from Mozambique for the international shipping of products that are located in the country or purchased in a foreign currency exclusively for that purpose, and activities for transporting those products to and from neighbouring countries, must do so through licensed entities.

The re-exportation of petroleum products is not permitted whenever such activity jeopardises the upkeep of the country's permanent reserves, with the exception of bunkers.

Platforms, vessels and other equipment for the exploration, research and exploitation of natural resources, in terms of activity within national territory, must only consume petroleum products provided by distributors licensed in Mozambique.

3.6 Condemnation/Eminent Domain Rights

The Mozambican Constitution and the Mozambican law contain the fundamental principle that all land belongs to the State. This principle means that an entity (either Mozambican or foreign) cannot be the owner of the land where buildings/property are implemented. That entity may, however, be granted the right of use and enjoyment of the land ("DUAT") for a 50-year renewable period.

It should be noted, however, that the holder of the DUAT becomes the owner of any buildings, premises or other immoveable assets built on the land to which the DUAT relates. The land belongs to the State, but the buildings/property erected on that land belong to the entity which holds the DUAT.

The holder of a DUAT may sell the immoveable property built on the land, by means of a public deed. With the sale of the immoveable property, the DUAT relating to the land on which said property is implemented is automatically transferred to the acquirer of the property.

The transfer of immovable property does not transfer the right to exploit a petroleum facility to the beneficiary which is within the limits of the respective property and which requires an exploitation registration, except where an exploitation registration has been validly transferred by annotation.

3.7 Third Party Access to Infrastructure

Any holder of a licence for distribution, landing terminals, storage or oil pipelines is obliged to receive, issue, handle, store, mix, or manage, without discrimination and in non-discriminatory commercial terms, third-party petroleum products at their petroleum storage facilities, landing terminals or oil pipelines, provided that:

- there is available space at the petroleum facility in question; and
- there are no insurmountable technical problems which impede the use of the petroleum facility to meet the requirements of third parties.

If the available capacity of the petroleum facility in question, or the dimensions or route of pipelines, is insufficient to meet the requirements of third parties, the licence holder

will be obliged to make a modification to the facility so that, in commercially acceptable terms, third party requests can be met, provided that:

- such a modification does not have an adverse effect on the technical integrity or the safe operation of the petroleum facility; and
- third parties have sufficient funds to support the costs of the required modification.

The minister responsible for the energy sector may waive compliance with the above obligation, on behalf of the holder of the licence for distribution, a landing terminal, storage or oil pipelines, as applicable, if reasonable efforts have been made to meet the requirements of third parties and to prove that it is not possible to receive, send, handle, store, mix or manage the third-party petroleum products or carry out the requested modification of the petroleum facility.

The holders of licences or operators of the petroleum facilities must act with transparency in the negotiation of access to their facilities, and they may not impose discriminatory conditions.

The holders of licences for distribution, loading terminals, storage or oil pipelines must make available, in non-discriminatory terms, the relevant records on the petroleum facility in question to third parties who request them, in order to facilitate the negotiation of acceptable commercial terms.

If, within the period of six months after the notification of the request for access to the petroleum facility or to increase its respective capacity, the parties have not reached an agreement on the commercial or operational terms which ensure the access sought, the matter, depending on the terms of the contract, may be submitted for resolution:

- to an independent commission;
- to arbitration proceedings; or
- to the competent judicial authorities.

It is up to the minister responsible for the energy sector to establish the methodology for third-party access to the petroleum facilities.

In addition to its needs for supply to the national market, the entity in possession of a storage infrastructure in the ocean terminals must reserve at least 15% of the capacity of its facilities for third party access to products for the national market.

3.8 Restrictions on Product Sales into Local Markets

The supply of petroleum products to the national market must be carried out primarily with products from local production, as long as:

- they are in compliance with the characteristics established in the applicable specifications;
- they are locally available; and
- their prices are established to be freely competitive with the prices of equivalent products obtained on the international market. However, there must be a mechanism in place ensuring the continuity of local production in cases in which they are not competitive.

Only after the option referred to in the previous paragraph has been exhausted can imported petroleum products be resorted to.

The re-exportation of petroleum products will be authorised once the needs of the national market have been met.

Any written or tacit agreement between market participants for the supply of petroleum products for national consumption or for the use of a dominant market position to obtain operational margins above those which would result from a competitive market situation, or which results in the prevention or reduction of competitiveness in processes related to the purchase of petroleum products, is prohibited and should be penalised under the terms of this decree and other applicable legislation.

3.9 Requirements for Transfer of Interest

All licences, with the exception of licences for distribution, are transferable by means of written authorisation from the licensing entity.

The transfer of the property of petroleum facilities which may result from their sale or disposal or from the exercise of any commercial agreements, mergers or any other transactions between two or more entities, requires authorisation from the minister responsible for the energy sector; such authorisation will be granted if, after the participation of the parties involved in the petroleum products market and the share of that market associated with the facilities and equipment in question have been considered, it is verified that as a direct result of the respective transfer, none of the parties involved:

- is obtaining or may obtain more than a 30% share of the national market for petroleum products; or
- is increasing or may increase its share of the national market for petroleum products, in the event that they already have more than 30%.

The minister responsible for the energy sector may authorise the transfer of a petroleum facility property which exceeds the limits imposed in the previous paragraph, as long as the beneficiary of the transfer is duly licensed to operate in the national petroleum product market and is at least 51% owned by the Mozambican State.

Distributors of petroleum products licensed to operate in the national market may invest in new petroleum facilities and equipment and in the expansion and repair of those which they already own, even if they thereby obtain a share of the national market greater than 30%.

4. Foreign Investment

4.1 Foreign Investment Rules

The basic legal framework for carrying out foreign investments in Mozambique that are eligible for guarantees and incentives is established by the Investment Law, the Regulation of the Investment Law and the Code of Fiscal Benefits. Accordingly, foreign investors – individuals or corporate entities bringing to Mozambique from abroad, on their own account and at their own risk, their own capital and resources – may be granted a specific (free) exchange control regime, provided that some conditions are met.

In addition to a favourable exchange control regime, foreign investors may be eligible for tax incentives in Mozambique, such as deductions from taxable income, deductions from the amount of tax assessed, accelerated depreciation, tax credits, exemption from tax and the reduction of the rate of taxes and other fiscal payments, the deferment of the payment of taxes and other special fiscal measures, as provided for under the Investment Law, the Regulation of the Investment Law and the Code of Fiscal Benefits, which is a set of rules designed mainly to attract foreign investment into the country.

Direct investment in petroleum, both national and from abroad, may, solely or jointly, be made as follows if quantifiable in pecuniary terms:

- value paid in money freely convertible by total or partial acquisition of shares in a company incorporated in Mozambique or the authorisation for petroleum activity, in the cases of partial or total transfer, as long as the value is paid into a bank registered in Mozambique or into an external authorised account in the terms of the foreign exchange law;
- equipment and respective accessories, materials and other imported goods;
- in the case of national direct investments, infrastructure, facilities and transfer of rights related to the use of land, concessions, licences and other economic, commercial or technological nature rights;
- transfer, in specific cases and in the terms agreed upon, and sanctioned by the relevant entities of the rights of use of patented technology and registered trademarks, in terms to be regulated; and
- value spent in geological studies or other activities in the scope to the obligations under the Petroleum Law.

The value of direct investment covers, duly accounted and confirmed by an audit company of recognised independence, the expenses incurred in operations of prospecting and exploration, treatment, development, processing and other petroleum operations related to the exploration and petroleum production.

The Government's investment is covered through the valuation of the existing resources and other ways which are to be defined by the Government.

The Government of Mozambique will guarantee the following to investors with approved investment projects carried out in accordance with the Investment Law and Regulation:

- Security and legal protection on property rights and other rights in connection with investments made;
- Freedom to import equity capital or loans to carry out investments;
- Full remittance abroad of:
  a) Exportable profits resulting from investments eligible for export of profits;
  b) Royalties and other payments for remuneration of indirect investments associated with the granting and transfer of technology;
  c) Amortisation of loans and payment of interests on loans contracted in the international financial market and applied in investment projects in the country;
  d) Proceeds of any compensation paid;
  e) Invested and re-exportable foreign capital, independently of the eligibility (or ineligibility) of the investment project to export profits.
- Repatriation of capital invested upon liquidation;
- Total or partial sale of the undertaking; and
- Fair and equitable compensation, in the event of expropriation based on absolutely necessary and weighty reasons of public and national interest, health and public order.

The Petroleum Law specifically provides for the legal safety and protection of property over assets and rights, including industrial property rights within the scope of the authorised and operated investments in the petroleum activity. In addition, expropriation may only occur exceptionally and when substantiated with regard to public interest and is subject to the payment of fair compensation.

All rights obtained under concession agreements relating to petroleum operations entered into under the previous Petroleum Law are to remain valid and unaffected by the Petroleum Law currently in force. Upon termination of these agreements, the new contracts and concessions are to be executed under the terms of the present Law.

4.2 Investment Protections

The Petroleum Law specifically provides for arbitration between the State of Mozambique and foreign investors, to be conducted in accordance with:

- the Mozambican Arbitration Law;
- the rules of the International Centre for the Settlement of Disputes between States and Nationals of other States ("**ICSID**"), adopted in Washington on 15 March 1965, or pursuant to the Convention on the Settlement of Disputes between States and Nationals of other States;
- the rules set out in the ICSID's Additional Facility adopted on 27 September 1978 by the Administrative Council of the International Centre for Settlement of Investment Disputes between States and Nationals of other States, whenever the foreign entity does not meet the nationality requirements provided for in Article 25 of the Convention;
- the rules of such other international instances of recognised standing as agreed by the parties in the concession agreements, provided that the parties have expressly defined in the agreement the conditions for implementation, including the method for the designation of the arbitrators and the time limit within which the decision must be made.

Mozambique is a signatory to the Washington Convention of 15 March 1965 on the Settlement of Investment Disputes between States and Nationals of Other States and the ICSID, and is a signatory to the Additional Facility Rules of ICSID, approved on 27 September of 1978, and is a member of the International Chamber of Commerce.

Mozambique is also a signatory to the New York Convention on the recognition and execution of foreign arbitral decisions since 10 July 1998, which is fully applicable in national territory. However, as permitted by Article I(3) of the New York Convention, when it acceded thereto, Mozambique declared that it would apply the Convention to the recognition and enforcement of awards made only in the territory of another Contracting State, on the basis of reciprocity.

Furthermore, Mozambique is party to several Bilateral Investment Treaties ("**BITs**") with key nations, generally to promote and strengthen investment relations between Mozambique and other countries. It is a common aim of all these BITs to foster foreign direct investment into Mozambique, providing investors with guarantees and protection measures (security and protection of property rights, access to foreign loans and loan repayment, remittance of dividends, arbitration by ICC or ICSID for dispute resolution, and liberalised banking rates); however, they neither supersede nor provide protection from foreign ownership restrictions imposed under sector-specific legislation.

5. Environmental, Health and Safety (EHS)

5.1 Principal Environmental Laws and Regulators

Under the Petroleum Law, the Government is to enforce the rigorous observation of the protection and rehabilitation environmental norms, under the terms of the law and the conventions and good international practices.

The Constitution of the Republic of Mozambique specifically addresses matters relating to the environment and quality of life, providing the people of Mozambique with the right to live in a balanced environment. It obliges the State and local authorities, in collaboration with other appropriate partners, to adopt policies for the protection of the environment and to provide for the rational utilisation of all natural resources.

The principle environmental laws governing upstream and downstream operations are as follows:

- Environment Law (Law 20/97, of 7 October 1997) – establishes the basic legal framework for the correct use and management of the environment and its components to assure a balanced development. The law provides for the creation of environmental protected zones where any activity seen as having a negative impact to the environment must be subject to special licences.
- Environmental Impact Evaluation Regulation (Decree 45/2004, of 29 September 2004, as amended by Decree 42/2008, of 4 November 2008) – provides a classification of the activities subject to Environmental Impact Assessment and the related specific requirements. It also regulates environmental licensing procedures and creates a registry for environmental consultants.
- Environmental Regulations for Petroleum Operations (Decree 56/2010, of 22 November 2010) – establishes the requirements to be satisfied in order to perform oil operations. The Regulation in particular specifies Environment Impact Assessment procedures, and protection and control measures in order to prevent environmental disasters.
- Petroleum Law (Law 21/2014, of 18 August 2014) – establishes the rules for the granting of rights to carry out petroleum operations in the Republic of Mozambique and beyond its borders insofar as it is in accordance with international laws. The law applies to petroleum operations and to any infrastructure belonging to or held by the holder of rights or third parties, used in connection with oil operations, subject to Mozambican law, including mobile infrastructure under a foreign flag located in Mozambique

with the purpose of conducting or assisting in petroleum operations in a concession contract area, unless otherwise established by law.
- Regulations on Petroleum Operations (Decree 24/2004, of 20 August 2004) – regulates petroleum operations under the Petroleum Law, setting the rules for the award of the right to conduct such activities in order to ensure that petroleum operations are performed in a systematic manner and on such terms that allow for its comprehensive and co-ordinated supervision.
- Regulation on the Environmental Quality and Effluents Release Standards (Decree 18/2004, of 2 June 2004, as amended by Decree 67/2010, of 31 December 2010) – aims to establish the standards for environmental quality and for the release of effluents in order to assure the effective control and maintenance of the admissible standards for the concentration of polluting substances on the environmental components.
- Regulation on the Licensing of Petroleum Installations and Activities (Ministerial Diploma 272/2009, of 30 December 2009) – sets out the modalities, terms and conditions for the licensing of installations and oil-related activities, such as appraisal, development, production, transport and storage.

In accordance with the nature, size and geographical location of the petroleum operation to be carried out, the Ministry which oversees the petroleum sector may create an Inter-Institutional Group.

5.2 EHS in Offshore Development

No specific rules are available for Environmental Health and Safety. Generally, in accordance with Mozambican legislation and internationally accepted marine standards, floating or fixed facilities used offshore are to be designed and equipped in a manner capable of ensuring the stability or foundation necessary for their safe operation and the capacity to withstand the projected loads.

The docking gear, the anchorage system and the dynamic positioning system for ships or floating facilities used offshore are to be sized and operated in accordance with Mozambican legislation in force and with Good Oil Field Practices and internationally accepted marine standards.

5.3 Environmental Obligations

Environmental impact assessments, including impact reduction measures, are to be carried out in all areas which may be affected by petroleum operations. Registration of all environmental aspects influenced by the petroleum operations are to be created and maintained for all phases.

For the purposes of the categorisation of the petroleum operations, activities are classified in:

- Category A: activities subject to the conducting of an Environmental Impact Study ("**EIS**");
- Category B: activities subject to the conducting of a Simplified Environmental Study ("**SES**"); and
- Category C: activities subject to compliance with the standards of good environmental management.

Oil, gas or mineral pipelines and submarine cables more than 5 km long are included under Category A activities. As a rule, any activity which may affect the environment is subject to evaluation of the potential impact – Environmental Impact Assessment – to determine its environmental feasibility, and concludes with the issuance of an Environmental Licence.

Activities in areas and ecosystems meriting special protection under national or international law, such as coral reefs, are specifically classified as "Category A" activities – those activities that may have a significant impact on the environment – under the Environmental legislation, therefore requiring a full Environmental Impact Assessment and the issuance of an Environmental Licence as a prerequisite for the issuance of any other licence or permit that may be legally required.

The Environmental Impact Assessment initiates with the submission of an application to the Ministry for Co-ordination of the Environmental Affairs (or the Provincial Delegation) and follows various stages, including a pre-assessment, drafting of terms of reference, a public consultation process and an environmental impact report.

The minister with authority over the petroleum industry may, in accordance with maritime legislation, introduce other requirements related to the performance of petroleum activities by floating facilities or by vessels, independent of whether they are registered in Mozambique or in a foreign state.

The holder of rights under the Petroleum Law is to act in the conducting of the petroleum operations in a safe and efficient manner with the aim of ensuring that the polluted waters and the waste materials are disposed of in accordance with approved methods, as well as the safe closure and decommissioning of all holes and wells before abandonment.

5.4 Requirements for Decommissioning

The EIS Report describes comprehensively the decommissioning and rehabilitation plan. A detailed Decommissioning Plan is to be prepared in consultation with the INP and submitted no later than two years before the date on which production operations are expected to cease, for the approval of the minister with authority over the petroleum industry.

The Decommissioning Plan is to include, amongst other things, the following items:

- Tail-end production schedules and the economic threshold for termination of operations;
- Alternatives for continuing Petroleum Operations;
- Further use or subsequent disposal of facilities;
- Plans for plugging and abandonment of production wells;
- Schedule of decommissioning activities and description of equipment needed for the restoration of land sites and/or the sea bed;
- Inventory of dangerous material and chemicals existent in the facilities, and plans for their removal; and
- Evaluation of environmental impact of termination and abandonment activities.

Activities categorised as Category A must proceed with the following stages:

- pre-assessment of the proposed project by the relevant environmental department and provision of a written response (including an indication of the number of copies required of Terms of References and Studies on the Pre-Feasibility and Scoping Activities (EPDA) to be submitted);
- the appointment of a government-registered environmental consultant;
- working with the environment consultant to develop an EPDA; and
- working with the environment consultant to develop the ToRs.

Subsequently, it will be necessary to submit the number of copies of the EPDA and ToRs defined in the written response to the pre-assessment to the relevant environmental department.

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Having received these documents, the relevant environmental government department has 30 working days to respond to the applicant, either approving the EPDA and ToRs or requesting alterations and re-submission. If the application is successful, the contracted government-registered environment consultant undertakes the EIA based on the approved ToRs.

6. Miscellaneous

6.1 Liquefied Natural Gas (LNG) Projects

Mozambique's Special Regime for Natural Gas Liquefaction Projects in Areas 1 and 4 of the Rovuma Basin (Decree Law 2/2014, of 2 December 2014) – applies to concessionaires under existing exploration and production concession contracts ("EPCCs"), any special purpose vehicles established by such concessionaires and any persons entering into contracts with concessionaires or special purpose vehicles (contractors, financiers and employees) as well as their subcontractors, and in connection with activities relating to the development and operation of Offshore Areas 1 or 4 and which are undertaken under existing EPCCs or any other contracts with the Government of Mozambique.

Accordingly, any SPVs established by concessionaires must be incorporated in Mozambique, although SPVs for the purposes of raising finance or undertaking sales and shipping activities may be incorporated in any "transparent" jurisdiction where the government of the jurisdiction can verify the ownership, management, control and fiscal situation of the investor (subject to Mozambique government consent). Whilst this "transparent" jurisdiction standard is equivalent to the standard imposed on new concessionaires under the Petroleum Law, unlike the requirements of the Petroleum Law, neither the existing concessionaires of Areas 1 and 4 nor their SPVs are required to be listed on the Mozambican Stock Exchange.