

## LEGAL ALERT

# PROPOSAL FOR THE REVIEW OF MOZAMBIQUE'S PETROLEUM LAW

In June 2025, a public consultation process commenced regarding a proposed amendment to Law No. 21/2014, as amended by Law No. 16/2022 (Petroleum Law), which concluded on 15 July 2025.

In general terms, the legislative revision aims, among other objectives, to strengthen the role of the State in petroleum operations, both through the National Hydrocarbons Company (ENH – *Empresa Nacional de Hidrocarbonetos*) and the guaranteed quota for the domestic market, as well as through the National Petroleum Institute (INP – *Instituto Nacional de Petróleo*), the sector's regulatory authority, thus intervening directly and indirectly in the oil and gas market.

Key highlights include the inclusion of Carbon Capture and Storage (CCS) within the objective scope of the proposed law, the enhancement of the role of national companies and citizens in the sector, the strengthening of workers' rights, particularly the training of national workers, as well as the protection, information, and participation of local communities and the safeguarding of the environment through the sustainable exploitation of natural resources.

This document provides a summary analysis of the proposed law, highlighting the most relevant changes.

## **Summary analysis of the main amendments and innovations of the proposed law**

### **Amendment to the objective scope of application**

Under the proposed amendment, the Petroleum Law also applies to CCS, in addition to the traditional petroleum operations already covered by the current legislation. This innovation will encompass CCS activities both within the national territory and beyond its borders, provided they are in accordance with international law.

### **Strengthening the role of the State through ENH and the domestic market quota**

The proposed amendment strengthens the role of the ENH by granting it a minimum 40% participation right in concession contracts for petroleum exploration and production. It further provides that concessionaires shall finance the costs associated with the State's participation, through ENH, in petroleum operations up to the commencement of the production phase, under terms that enable the State's effective participation in oil and gas projects.

Under the proposed amendment, ENH will also be a party to any unitisation agreements to be entered into in cases where a concession area includes a petroleum deposit that partially extends into a non-concession area.

Additionally, the State is granted preferential rights in the development of natural gas regasification infrastructure projects.

With regard to the quota of oil and gas allocated for domestic supply, this is now expressly provided as one of the obligations of petroleum operations rights holders. While the current Petroleum Law already requires the Government to ensure a minimum quota of 25% of oil and gas for domestic supply, the proposed amendment stipulates that this quota must be delivered at the commencement of commercial production (under terms yet to be regulated).

Finally, it is also proposed that the entirety of the condensate produced in petroleum projects be allocated to ENH, an aspect not addressed in the current legislation.

## **Strengthening the powers and responsibilities of the regulatory authority**

The INP remains the regulatory authority for the petroleum sector, with administrative, patrimonial, financial, and technical autonomy. The proposed law enhances and details the INP's responsibilities, prerogatives, and powers of regulation, supervision, management, and oversight, among others, as well as its composition and organisational structure, without prejudice to its future regulation through a new Organic Statute to be approved by the Government in accordance with the proposed law.

An important innovation is the express attribution of powers to the regulatory authority to carry out inspections and audits of petroleum operations at any time, particularly in relation to Recoverable Costs, which must be declared and periodically updated by the holders of rights to conduct petroleum operations.

As the regulatory authority, the INP will play a decisive role in strengthening and ensuring the effective involvement of national businesses in petroleum operations, and in ensuring that petroleum companies comply with rules concerning the employment and technical-professional training of national workers, as well as their participation in the management of petroleum operations.

## **Amendment to the concession mechanism**

The proposed amendment to the Petroleum Law establishes, with the aim of simplifying and accelerating investment during the exploration and prospecting phase, that reconnaissance activity shall be granted by means of a licence (rather than a concession contract), which will confer a non-exclusive right to carry out preliminary prospecting work in authorised areas.

Within this context, a maximum term of 25 years (from the approval of the relevant development plan) is established for exploration and production concession contracts, with the possibility of renewal for equal or shorter periods, as may be most advantageous to the national interest.

## **Local Content**

The entire proposal follows a principle of protecting national interests, granting additional rights to Mozambican nationals. One of the most significant measures in this regard is the priority given to Mozambican legal entities in exploration and production areas whose concession terms have expired or been relinquished, under criteria yet to be regulated.

This measure is accompanied by another of equal relevance, which provides for the disposal, via the Mozambique Stock Exchange, of part of the shares in entities held by public companies and State-owned enterprises, with a view to ensuring the participation of Mozambican individuals and legal entities in the service chain associated with petroleum operations.

According to the proposal, foreign individuals or legal entities must associate with Mozambican individuals or legal entities in order to benefit from the price preference mechanism. Foreign legal entities must demonstrate that such association results in an effective contribution to the creation of value in goods and services within Mozambican territory, with the involvement of Mozambicans, and must also present a technology transfer plan for the benefit of nationals.

Furthermore, providers of operation and maintenance services for original equipment manufacturers must establish themselves in Mozambique in association with Mozambican companies.

## **Protection of affected local communities**

Although the right to fair compensation is already regulated under the current Petroleum Law, the proposed amendment introduces additional protection for individuals and communities affected by petroleum operations by extending the scope of compensable damage to include any legally established right or asset that suffers legally proven harm.

It is also stipulated that the definitive resettlement of families or communities may only take place once all matters relating to fair compensation have been resolved.

## **Workers' rights**

The proposal consistently reflects a concern with strengthening the rights of workers in the sector, particularly regarding workplace hygiene and safety conditions and the implementation of training programmes. This concern is especially reinforced in relation to Mozambican citizens, through their mandatory inclusion in all categories and functions (except where no suitably qualified and experienced Mozambican nationals are available in the domestic market).

A significant innovation is the mandatory requirement for holders of rights to conduct petroleum operations to adopt a Local Content Plan, which must include provisions for the recruitment, training, and progressive promotion of Mozambican citizens, under terms yet to be regulated (notably through a new Local Content Law, which is currently under approval).

## **Environmental protection**

Environmental protection and the sustainable management and use of natural resources are general principles that underpin the entire proposal, serving as guiding principles for both petroleum operations and State action.

This is reflected, *inter alia*, in the responsible management of natural resources, the mitigation of environmental impacts, and the promotion of sustainable development practices. Accordingly, the INP is assigned responsibilities for safeguarding the public interest and the environment, and must establish the necessary environmental conditions, promoting the adoption of practices that encourage the efficient use of resources and the maintenance of appropriate service quality and environmental protection standards.

## **Investment promotion**

Despite the clear and overarching intention of the proposed amendment to reinforce the role of the State and of Mozambican companies and citizens in petroleum operations, the proposal also demonstrates a concern with investment. It enshrines the obligation of the State to adopt policies and measures aimed at attracting investment, based on the principles of legal predictability, fiscal stability, and regulatory transparency.

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