MORAIS LEITÃO
LEGAL CIRCLE

MDR
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LOCAL CONTENT LAW

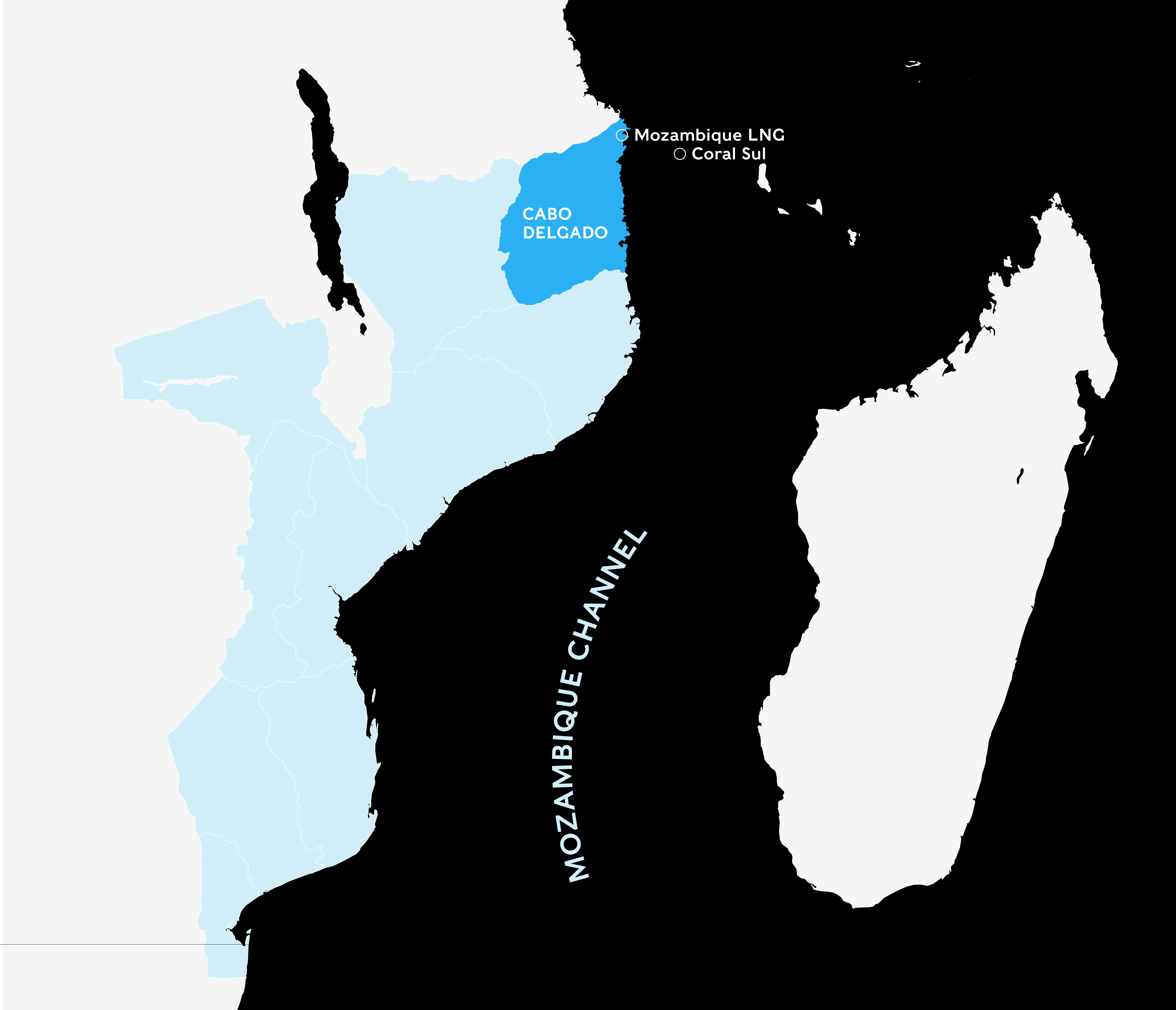
SEPTEMBER 2026

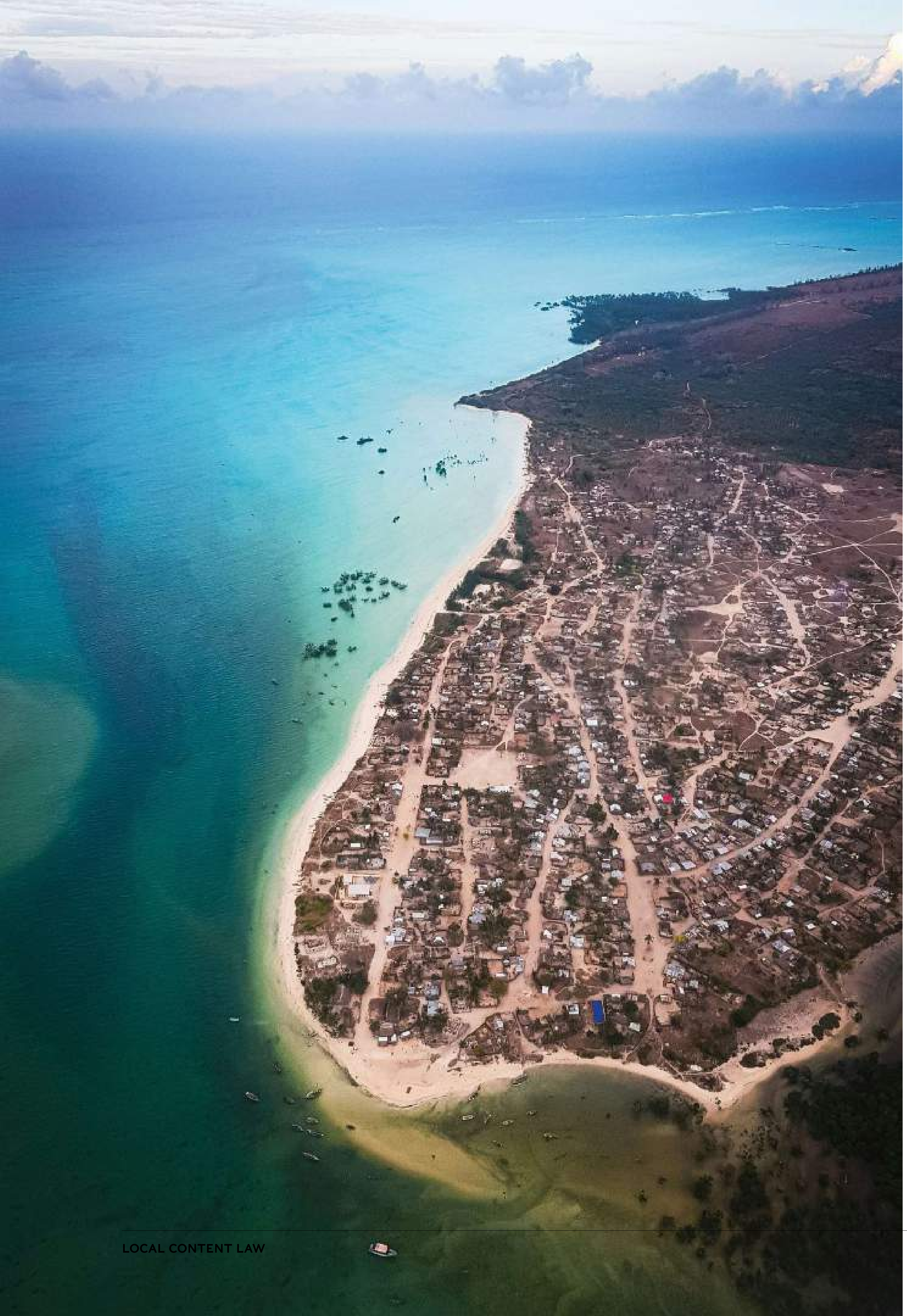
LEGAL NOTICE

This information note relates to Law No. 9/2026, of 3 June, which enacts the Local Content Law. This briefing is provided for information purposes only and does not constitute legal advice. Clients are advised to seek specific legal advice before making any decisions based on this summary.

INTRODUCTION

Mozambique is positioning itself as one of the leading emerging energy markets on the African continent, driven by hydrocarbon discoveries in the Rovuma Basin, in Cabo Delgado Province, estimated at over 100 trillion cubic feet of natural gas in ultra-deep waters. These discoveries have led to the development and implementation of mega-projects such as Mozambique LNG and Coral Sul. Against this backdrop, and with a view to ensuring more effective participation of Mozambican goods producers, service providers and labour in these projects, the Local Content Law was passed.





SCOPE OF APPLICATION OF THE LOCAL CONTENT LAW

Law No. 9/2026, of 3 June (the Local Content Law or LCL), applies to projects and undertakings in the oil and gas industry carried out under the Petroleum Law, establishing the legal framework governing the procurement of goods, the contracting of services and the employment of national labour. For the purposes of interpreting the LCL, the definitions set out in Law No. 8/2026, of 3 June (the Petroleum Law or PL), and its implementing regulation (Article 1(2) of the LCL) are supplementarily applicable to the LCL.

PURSUANT TO ARTICLE 3(1) OF THE LCL, THE LCL APPLIES TO: *(i)* HOLDERS OF THE RIGHT TO CONDUCT OIL OPERATIONS UNDER THE PETROLEUM ACT; *(ii)* THE HOLDERS OF RIGHTS ARISING FROM CONCESSION AGREEMENTS FOR OIL EXPLOITATION AND PRODUCTION AND OTHER CONTRACTS UNDER THE PETROLEUM ACT; *(iii)* THIRD PARTIES CARRYING OUT OIL AND GAS OPERATIONS UNDER THE PETROLEUM LAW; AND (IV) LEGAL PERSONS AND SPECIAL-PURPOSE ENTITIES DIRECTLY OR INDIRECTLY ESTABLISHED BY THE CONCESSIONAIRES.

The LCL also applies to other entities that enter into contracts with the entities referred to in Article 3(1), which must ensure, through contractual mechanisms, that their subcontractors comply with the applicable provisions on Local Content, failing which they shall be jointly and severally liable for non-compliance (Article 3(2) and (3), of the LCL). However, subcontracting carried out by private employment agencies is excluded from the scope of the LCL (Article 3(4) of the LCL). At the same time, the PL applies to petroleum operations and to the infrastructure used in connection with such operations (Article 16 of the PL), including, according to the relevant glossary, activities relating to reconnaissance, exploitation, development, production, liquefaction, storage, transport, regasification, cessation of activities and demobilisation.

MANDATORY ESTABLISHMENT OF PARTNERSHIPS WITH NATIONAL ENTITIES

Under Article 60(2) of the PL, foreign natural or legal persons providing services to petroleum operations must enter into a partnership with Mozambican natural or legal persons. Furthermore, foreign legal persons must demonstrate, through their partnership with Mozambican nationals, the economic substance of the partnership, such that its purpose results in an effective contribution to the production or creation of value from goods and services within Mozambican territory and involves Mozambicans (Article 60(3) of the PL).

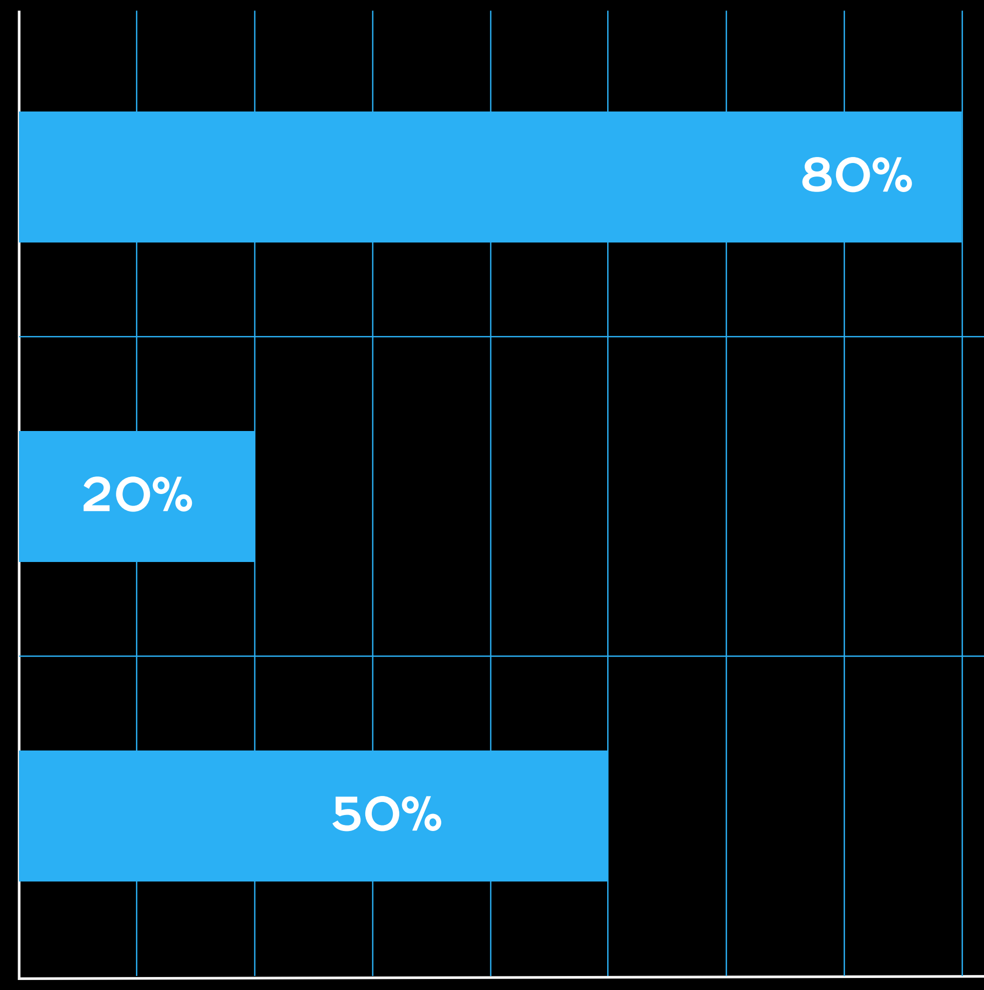
In turn, the LCL provides that business partnerships may be established for the supply of goods and provision of services to the entities covered, including partnerships between national and foreign natural and legal persons (Article 17 of the LCL). Partnerships involving nationals benefit from preference and, in partnerships involving foreign parties, preference is given to those with the highest proportion of national participation.

MINIMUM PERCENTAGE FOR PARTNERSHIPS WITH NATIONAL ENTITIES

For the purposes of the LCL, the establishment of business partnerships must comply with the minimum requirement of 20 percent of share capital held by nationals. The same percentage is set out in Annex II of the LCL for “Business partnerships – Commercial companies”.

Under the exclusivity regime, goods and services that cumulatively meet the following requirements must be procured within the national territory:

It follows from the combined provisions of the PL and the LCL that foreign service providers to petroleum operations are, in principle, subject to the obligation to form a partnership with Mozambican natural or legal persons, and such a partnership must have economic substance. Where the relationship takes the form of a business partnership or commercial company for the purposes of the LCL, the minimum 20 percent national participation must be observed, without prejudice to the application of preferential, exclusive or free-market regimes, as the case may be.



are produced or provided using at least 80 percent of domestic inputs

are produced or provided by Mozambican companies in which at least 20 percent of the capital is held by Mozambican natural or legal persons

be produced or provided by Mozambican companies whose total wage bill consists of at least 50 percent Mozambicans (Article 28(1) of the LCL).

PROCUREMENT OF GOODS AND CONTRACTING OF SERVICES IN MOZAMBIQUE

Under Articles 6 and 9, of the LCL, the entities covered must give priority to the procurement of goods and the contracting of services produced and provided within the national territory by Mozambican nationals, ensuring transparency, impartiality and equal opportunities in the procurement process. The PL also stipulates that the procurement of goods and services by licence holders for the conduct of petroleum operations must be carried out by tender and published in the relevant media and on the licence holder's website (Article 60(1) of the PL).

In terms of procedures, the LCL stipulates that the tender evaluation process must first assess the Local Content requirements and then the technical capacity, commercial viability and applicable metrics (Article 16(1) of the LCL). Where bids are closely matched, the bid with the highest percentage of Local Content must be selected, provided that the purchase price is up to 20 percent higher (Article 16(2) of the LCL).

PROCUREMENT PROCEDURES

The procurement of goods and services by the entities covered must comply with three schemes, namely:

a) Preference Scheme;

b) Exclusivity Scheme; and

c) The Free Market Regime.

Under the **Preference Regime**, preference must be given, amongst others, to *(i)* Mozambican natural and legal persons; *(ii)* entities in which the majority of the share capital is held by Mozambicans; *(iii)* entities that use domestic factors of production; *(iv)* entities with the highest volume of Mozambican payroll, and *(v)* domestic suppliers able to supply goods and services in a timely manner and in the required quantities (Article 26(1) of the LCL).

Under the **Exclusivity Regime**, goods and services that cumulatively meet the requirements set out in Article 28(1) of the LCL must be procured within the national territory. Annex II of the LCL establishes minimum percentages for domestic procurement of certain goods and services, including legal services (70 percent), accounting services (60 percent), banking and insurance services (30 percent), *catering* (80 percent), cleaning services (80 percent), construction (50 percent), petroleum products (85 percent) and business partnerships – commercial companies (20 percent).

WHEN THE REQUIREMENTS OF THE PREFERENCE OR EXCLUSIVITY REGIMES ARE NOT MET, THE FREE MARKET REGIME APPLIES (ARTICLE 29 OF THE LCL).

SUBCONTRACTING

For the purposes of the LCL, subcontracting comprises the assignment of the contractual position of the supplier of goods or services, as well as the delegation or transfer of responsibilities to third parties in relation to the supply of goods or the performance of services, where these are carried out by an entity with no direct contractual relationship with the principal contracting entity.

SUBCONTRACTING IS PERMITTED FOR THE SUPPLY OF GOODS AND THE PROVISION OF SERVICES COVERED BY THE LCL, PROVIDED THAT THIRD PARTIES MEET THE LOCAL CONTENT REQUIREMENTS AND COMPLY WITH INTERNATIONAL SAFETY AND QUALITY STANDARDS, IN ACCORDANCE WITH APPLICABLE MOZAMBICAN LEGISLATION.

SUBCONTRACTING RESTRICTIONS

Full subcontracting is not permitted by a supplier who has benefited from the regimes provided for in the LCL, unless expressly authorised by the Local Content Authority, subject to technical justification and demonstration that no domestic capacity is available (Article 18(3) of the LCL). Applications for subcontracting must be submitted to the Local Content Authority six (6) months in advance, except in duly justified urgent situations (Article 18(4) of the LCL).

PROCUREMENT PLAN

Under Article 20(1) of the LCL, the entities responsible for the projects and developments covered must draw up and submit to the Local Content Authority a plan for the procurement of goods, the contracting of services and the contracting of labour, setting out the priorities for the following year.

The procurement plan must be specific to each project or undertaking and comply with the mandatory percentages set out in the list of goods and services annexed to the LCL (Article 20(4), (7) and (9), of the LCL).

a) The estimated opportunities and activities for the following year, including the implementation timetable and schedule.

b) A detailed description of the estimated budget by activity.

c) The plan for the procurement of goods and services.

d) The plan for the recruitment of national labour.

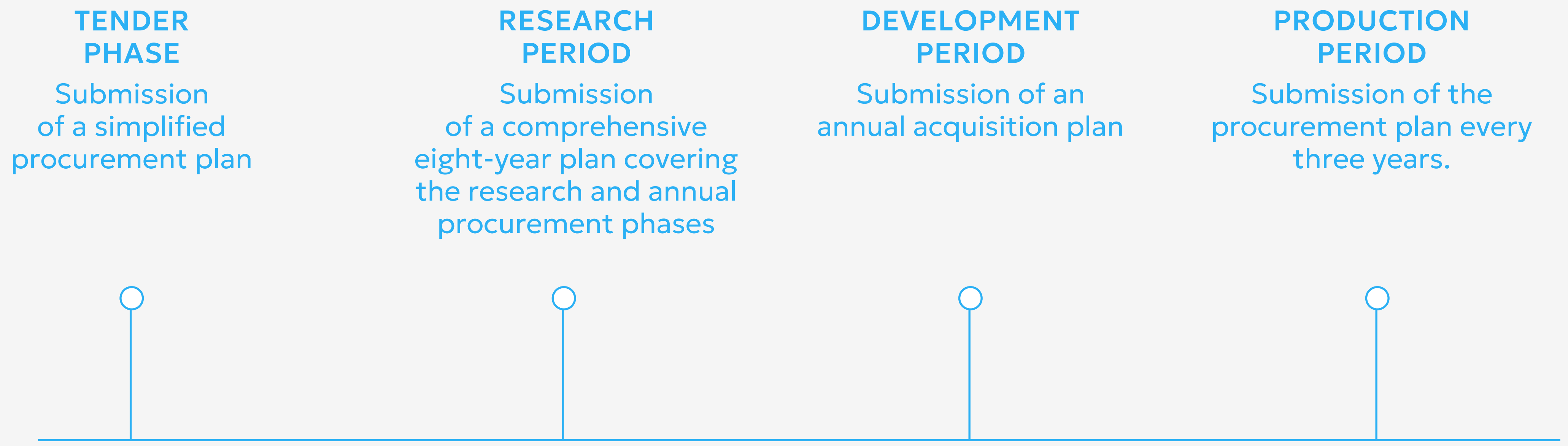
e) The plan for training, capacity-building, and the transfer of knowledge and skills to nationals, as well as capacity-building and development programmes for national suppliers.

f) The plan to procure financial consultancy, legal and accountancy services.

Training, capacity-building, and the transfer of knowledge and skills to nationals, as well as capacity-building and development programmes for national suppliers, must be coordinated by the Local Content Authority and delivered by institutions certified and accredited by the competent authorities (Article 20(3) of the LCL).

The procurement plan must be submitted by 31 December of the year preceding the year in which it is to be implemented. The Local Content Authority may request further clarification within a reasonable timeframe, which must not exceed 30 days from the submission of the procurement plan, and may also request its submission at any time for the purposes of supervision and monitoring (Article 20(4), (5) and (8), of the LCL).

The procurement plan, subject to approval by the Local Content Authority, must be submitted in accordance with the following terms (Article 20(6) of the LCL):



LOCAL CONTENT AUTHORITY

The LCL established the Local Content Authority, a legal entity governed by public law, with administrative, financial and asset autonomy, under the supervision of the Minister responsible for the petroleum sector (Article 10(1) of the LCL). The Local Content Authority is the central authority responsible for regulating, coordinating, supervising, imposing sanctions and deciding on the implementation of Local Content in the petroleum sector (Article 10(3) of the LCL), subject, however, to further regulations.

PROCUREMENT OF GOODS, SERVICES AND LABOUR

The procurement of goods and services must, as a general rule, be carried out through a public tender procedure (Article 30(1) of the LCL). During the procurement process, the Local Content rules set out in the LCL, its implementing regulations, the legislation in force and best practice in the oil and natural gas industry, and contracts for the procurement of goods and services must contain a Local Content clause (Article 30).

In exceptional cases, direct award is permitted, in which case the relevant entities must consult the database of suppliers registered in the Local Content Authority's system who meet the applicable Local Content requirements. Direct award may also take place where there is a single supplier, in emergency situations duly justified by unforeseen events, or where the goods or services are complementary to an existing contract and it is not possible to integrate new suppliers without the risk of disruption to essential services.

Where it is not possible to procure the goods and services covered by the Preferential Regime in Mozambique, the projects, enterprises and other entities concerned may import such goods or services, upon submission to the Local Content Authority of evidence attesting to the difficulty or impossibility of procuring them in Mozambique and of measures to integrate Mozambican nationals in subsequent years (Article 26 of the LCL).

TRAINING OF NATIONAL LABOUR

The recruitment of Mozambican labour must ensure the progressive integration of national staff, their training and the transfer of knowledge (Article 31 of the LCL). The entities covered must also submit their Human Resources Development Plans to the Local Content Authority by the deadline for submitting activity and budget plans; these must include, amongst other elements, workforce projections, profiles, professional categories, training initiatives and a plan for the inclusion of Mozambicans in management positions (Article 32 of the LCL).

INFRINGEMENTS

The LCL provides for administrative offences punishable by a fine, including the failure to procure goods and contract services with Local Content where required, splitting a contract into smaller parts, failure to comply with the procurement procedures set out in Articles 26 to 30 of the LCL, failure to include a Local Content clause in contracts, failure to provide information on the procurement plan, failure to meet the deadline for submitting the Annual Procurement Plan, and failure to submit Local Content reports (Article 33 of the LCL).

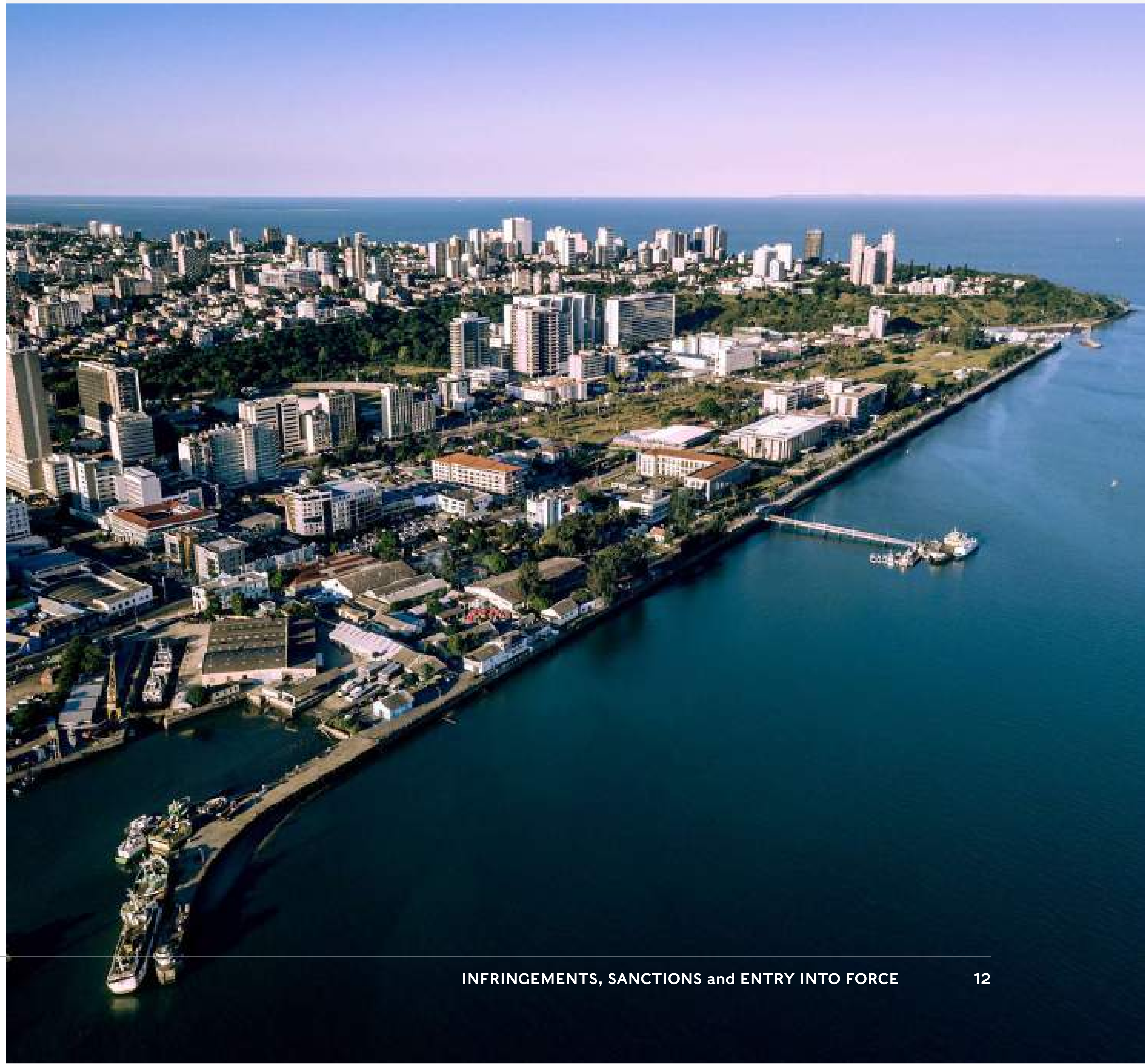
Further infringements include the failure to submit the procurement plan in a timely manner, the failure to submit reports within the legally established deadlines, unjustified non-compliance with the procurement plan, the submission of false information regarding local goods and services, suppliers and business partnerships eligible for preference, as well as the submission of false information regarding registration, ownership, status as a Mozambican national, a preferential Mozambican national or payroll. The annual performance report must be submitted by 30 April of the following year (Article 23(2) of the LCL).

SANCTIONS

Sanctions include the loss of tax benefits, the cancellation of concession contracts and disqualification from participating in future tenders under the PL and the LCL (Article 35(1) of the LCL). The provision of false or misleading information in the context of the implementation of Local Content contracts may result in fines ranging from 1 percent to 10 percent of the contract value (Article 35(2) of the LCL). The infringements set out in Articles 33 and 34 are punishable by fines of between USD 50,000 and USD 300,000, converted at the Bank of Mozambique's exchange rate on the day in question, whilst failure to submit reports is punishable by a fine of USD 150,000. Additional sanctions may also be imposed, including a ban on carrying out activities for a period of six months to two years, the suspension of the operating licence for the project or undertaking, and a ban on entering into new concession contracts until the relevant obligations have been fulfilled (Article 36 of the LCL).

ENTRY INTO FORCE

The LCL came into force on the date of its publication, namely on 3 June 2026, and its implementing regulations are pending.



KEY POINTS

Law No. 9/2026, of 3 June, establishes the legal framework for Local Content in the oil and natural gas sector, setting out rules relating to the procurement of goods produced in Mozambique, the contracting of services provided by national entities, the employment of national labour and the procedures applicable to projects and ventures in the oil and natural gas industry implemented under the PL. The main highlights include:

i) The scope of application of the scheme.
ii) The goods and services covered.
iii) The rules for assessing Local Content.
iv) The procurement plan.
v) The establishment of the Local Content Authority.
vi) The arrangements and procedures for the procurement of goods, the contracting of services and the hiring of labour.
vii) The applicable infringements and penalties.

MDR ADVOGADOS

MDR Advogados has been advising on the development of the Oil & Gas sector in Mozambique for over a decade, including the major natural gas projects in the Rovuma Basin, and the associated legal framework, notably the Petroleum Law and now the new Local Content Law ("LCL"). This experience allows us to combine a detailed understanding of the regulatory framework with practical insight into the commercial and operational needs of concessionaires, service providers and other entities across the value chain.

Our team includes lawyers with extensive local and cross-border experience in public, regulatory and commercial law, as well as in procurement, corporate joint ventures and the preference, exclusivity and free market regimes established under the LCL. MDR is fully integrated within the Morais Leitão Legal Circle, enabling us to work seamlessly with teams in Lisbon, Luanda and other Lusophone jurisdictions providing coordinated support to international groups operating across multiple African markets.

We are available to assist concessionaires, operators, contractors, service providers and financial institutions with all aspects of local content compliance, including but not limiting to: assessing the legal framework applicable to Oil & Gas projects under the LCL and the Petroleum Law; structuring partnerships with national entities to ensure compliance with minimum participation thresholds; designing and reviewing procurement plans and human resources development plans; drafting and revising local content clauses in contracts for the supply of goods, services and labour; and advising on procurement procedures as well as managing the risk of administrative infringements and sanctions.

In a context where non-compliance with local content rules may result in loss of tax benefits, revocation of concession contracts and disqualification from future tenders, specialised legal advice with a strong local presence is essential. MDR specialist Oil & Gas and local content team is available to respond to any queries arising from the LCL and this briefing, and to work alongside clients in structuring both new and ongoing projects in a way that safeguards their investments, ensures legal compliance and remains aligned with the expectations of the Local Content Authority and other key public stakeholders.

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