

Law n° 21/ 2014 of 18 August

PREAMBLE

As there is a need to adjust the legal framework for petroleum activities to this economic order in the country and to the developments which have occurred in the petroleum sector, to ensure competitiveness and transparency, and to safeguard national interests, pursuant to the provisions of paragraph 1 of Article 170, read together with Article 98, both of the Constitution of the Republic, the Assembly of the Republic determines:

CHAPTER I GENERAL PROVISIONS

Article 1 (Definitions)

The meaning of terms and expressions used in this Law are set out in the attached glossary, which forms an integral part of it.

Article 2 (Purpose)

This Law establishes the regime for the granting of rights to carry out petroleum operations in the Republic of Mozambique and beyond its borders, to the extent to which this is in accordance with international law.

Article 3 (Scope of application)

1. This Law applies to petroleum operations and to any facilities belonging to or held by a holder of rights, or by third parties, used in connection with petroleum operations, subject to Mozambican jurisdiction, including foreign-flagged mobile facilities used to carry out or assist with petroleum operations, save as otherwise stipulated in the Law.
2. This Law shall also apply to the use or consumption of petroleum when such use is necessary for or constitutes an integral part of petroleum production or transportation operations in terms of this Law.

3. Refining, and the industrial utilization and distribution and sale of petroleum products, do not fall within the scope of this Law.

Article 4
(Role of the State)

1. The State shall control prospecting and exploration, and the production, transportation, trading, refining and transformation of liquid and gaseous hydrocarbons and their derivatives, including petrochemical activities and Liquefied Natural Gas (LNG) and Gas to Liquid (GTL).
2. The State may also engage direct or indirectly in activities which are auxiliary or complementary to the activities referred to in the above paragraph.
3. The State, State institutions and other legal persons subject to public law, have a determining role in promoting the assessment of the existing petroleum potential, so as to allow access to the benefits of petroleum production and to contribute to the social and economic development of the country.
4. The Government shall raise awareness of the potential of the existing natural resources, in prior consultation and negotiation with investors and local communities, and by promoting the involvement of national entrepreneurs in petroleum undertakings.
5. The State shall ensure that a part of the national petroleum resources is utilized for the promotion of national development.
6. The Government shall guarantee funding for *Empresa Nacional de Hidrocarbonetos, Empresa Pública* (ENH, EP), its exclusive representative, for investment in the improvement and stabilization of its participation in the oil and gas business.

Article 5
(Evaluation and promotion of access to petroleum resources)

1. The State, its institutions and other public law entities have a decisive role in the promotion and evaluation of the existing mining potential, in order to allow access to the benefits of petroleum production and to contribute to the economic and social development of the country.
2. The Government shall incentivize investment into petroleum operations.

Article 6
(Defense of national interests)

In the allocation of rights to conduct petroleum operations, pursuant to this Law, the State shall always ensure respect for national interests, in relation to defense, employment, navigation, the researching and conservation of marine ecosystems and other natural resources, existing economic activities, the food and nutritional security of communities, and the environment in general.

Article 7
(Fair compensation)

1. The state shall guarantee fair compensation, paid by the concessionaires of rights to exploit petroleum and gas, to persons or communities holding any title to rights to use and benefit from land, or over the territorial water.
2. When the available concession area covers a part or the entirety of an area occupied by families or communities, such that their resettlement is required, the concessionaire shall be obliged to compensate those affected, in a fair and transparent manner, in ways to be regulated by the Council of Ministers.
3. Fair compensation shall be established in a memorandum of understanding between the Government, the concessionaire and the community.
4. The memorandum of understanding referred to in the preceding paragraph shall constitute one of the requirements for the granting of a right to exploit oil and gas.

Article 8
(Content of Fair Compensation)

1. The fair compensation referred to in the previous article shall comprise:
 - a) resettlement in appropriate and decent housing, in conditions better than those previously experienced, by the holder of the concession;
 - b) the payment of the value of improvements, in accordance with the Land Law and other applicable legislation;

- c) assistance with the activities which are essential for the daily life, and the food and nutritional security, of those affected;
 - d) the preservation of the historical, cultural and symbolic heritage of families and communities, in ways to be agreed by the parties.
2. Resettlement may only occur when exploration has confirmed the availability of the petroleum resources which form the subject of a license for the purpose of the commencement of production, pursuant to the principles defined by the Council of Ministers.

Article 9

(Distinct Nature of Rights)

An oil and gas exploitation right is distinct from a right to use and benefit from land, or other rights which pre-exist in terms of the law.

Article 10

(No overlapping of rights)

1. The granting of a right to exploit oil and gas does not presuppose the granting of a right to use and benefit from land or any other pre-existing rights, which shall belong to the State;
2. The Government shall decree the termination of a right to exploit oil and gas, and of petroleum operations, in the event that the license expires, or if resources are exhausted, or the law is violated.
3. When the termination of a right of exploitation to exploit oil and gas has been declared, the users of pre-existing rights or their heirs shall have preference in respect of the allocation of rights renounced in favor of the State.

Article 11
(Community participation)

1. It shall be mandatory to provide prior information to communities regarding the commencement of exploration activities, and the need for their temporary resettlement, for such purpose.
2. In order to obtain authorization for the commencement of petroleum activities, prior consultation with communities shall be compulsory.
3. The Government shall establish mechanisms for involvement, and ensure the organization and participation of communities in areas where petroleum undertakings are established.

Article 12
(Work force for petroleum activities)

1. Oil and gas companies shall ensure a harmonious environment, as regards labor relations.
2. Petroleum companies shall ensure the employment and technical and professional training of Mozambican nationals, and their participation in the management of petroleum operations.
3. Petroleum companies shall take the necessary steps to ensure the health and safety of workers, in terms of Mozambican legislation and in accordance with international best practice.
4. The recruitment of personnel for petroleum exploitation companies shall take place via advertising in national newspapers with the widest readership, or on the radio, television and internet, with an indication of the closest place for the submission of applications, the required conditions, and the publication of results.

Article 13
(Promotion of national entrepreneurs)

1. The Government shall establish mechanisms and define conditions for the engagement of national entrepreneurs in oil and gas undertakings.
2. Oil and gas companies shall be registered on the Mozambique Stock Exchange, in accordance with applicable Mozambican legislation.

CHAPTER II RIGHTS, DUTIES AND GUARANTEES

Article 14 (General rights of right-holders)

The holders of rights to exercise petroleum operations shall have, among others, the following rights:

- a) To consult, at the competent entities, the available geological information pertaining to the concession contract;
- b) To obtain the collaboration of the administrative authorities for the carrying out of field work and for the establishment of easements, according to the Law;
- c) To build and erect the facilities and facilities necessary for the carrying out of petroleum operations;
- d) To use, in accordance with the relevant conditions set out in the law and in regulations, the areas demarcated for the installation of petroleum facilities, and of buildings and equipment;
- e) To undertake the geological activities needed for the implementation of approved plans, without any limitations other than those arising from legal norms, the concession contract or an order of the entity that oversees the petroleum sector;
- f) To extract, export and benefit from the petroleum resources which are the subject of the concession contract, in accordance with the Law.

Article 15
(General duties of right-holders)

The holders of rights to carry out petroleum operations have, among others, the following duties:

- a) not to commence petroleum operations without the respective concession contract;
- b) to secure work positions and technical training for Mozambican nationals, preferably those residing in the concession area;
- c) to employ the most appropriate methods for obtaining higher earnings, which methods shall be compatible with the economic conditions of the market, environmental protection and the rational exploitation of petroleum resources;
- d) to proceed with the registration of all activities, including surveying activities carried out;
- e) to allow the overseeing and monitoring of their activities by the competent authorities, and access to technical, economic and financial databases related to petroleum operations.
- f) to progressively release the initial area allocated for petroleum operations, under the terms and conditions set out in this Law and its regulations;
- g) to comply with approved work plans for each phase of the petroleum operations, in compliance with laws and regulations, and with the best methodology for the carrying out of petroleum operations;
- h) to comply with timeframes for the implementation of petroleum operations and the established production program, keeping operations running, except in cases of authorized or imposed suspension, or as a result of force majeure;
- i) to comply with the obligations imposed by environmental impact assessment studies;
- j) to take action toward the protection of nature and the environment in accordance with the environmental impact assessment study approved by the competent authorities;

- k) to promote safety, health, hygiene and public health, in accordance with national and international regulations applicable in the Republic of Mozambique;
- l) to report on the impact of petroleum operations on land occupation and the characteristics of the environment;
- m) to repair, in terms of the Law, damage caused to third parties because of the conducting of petroleum operations.

Article 16

(Guarantees of right-holders)

The following legal guarantees are afforded to the holders of rights to conduct petroleum operations:

- a) to transfer rights and obligations arising from concession contracts, once the necessary authorization has been obtained;
- b) support for the undertaking of petroleum operations and respect for the rights inherent thereto;
- c) the right to freely dispose of and trade oil and gas, subject to the rules and procedures set forth herein and in other complementary legislation on the matter;
- d) to resort to international arbitration to resolve disputes, after exhausting alternative means.

Article 17

(Conditions for the carrying out of petroleum operations)

1. Petroleum operations shall be carried out in terms of a concession contract resulting from a public tender, simultaneous negotiation or direct negotiation.
2. The granting of rights to conduct petroleum operations under this Law shall always respect national interests relating to defense, navigation, research and the conservation of marine resources, existing economic activities and the environment, in general.

CHAPTER III OWNERSHIP AND CONTROL OF PETROLEUM RESOURCES

Article 18

(Ownership of petroleum resources)

The petroleum resources located in the soil and subsoil, in internal waters, in the territorial sea, on the continental shelf, and in the exclusive economic zone, belong to the State.

Article 19

(Management of petroleum operations)

1. The Government shall implement policies that ensure the carrying out of petroleum operations, and shall enact the regulations necessary for their implementation.
2. The Government shall ensure that a percentage of the income generated from petroleum operations is channeled towards the development of communities in the areas in which petroleum operations are carried out.
3. The percentage referred to in the previous paragraph shall be set in the State Budget, based on the forecasted income from and related to petroleum operations.

Article 20

(State participation)

1. The State reserves the right to participate in petroleum operations in which any legal person is involved.
2. The participation of the State may occur during any phase of petroleum operations, pursuant to the terms and conditions established by the contract.
3. The State shall gradually increase its participation in oil and gas undertakings.

Article 21
(Public tender)

1. The procedures for the conducting of public tenders shall be established by regulation, without detracting from the application of general law on the subject.
2. The Government shall conduct public tenders for the exploration, production and exploitation of oil and gas.

Article 22
(National Petroleum Institute)

1. The National Petroleum Institute (*Instituto Nacional de Petr6leos*, or INP), a legal person governed by public law, endowed with legal personality and administrative, financial and patrimonial autonomy, is overseen by the Ministry that supervises petroleum activities.
2. The National Petroleum Institute is the regulatory body responsible for the administration and promotion of petroleum operations, under the oversight of the Ministry that supervises the oil and gas sector, and is responsible for guidelines for the participation of the public and private sectors in the exploration and exploitation of petroleum products and their derivatives.
3. The powers, organization and functioning of the National Petroleum Institute shall be defined by Government, in accordance with this Law.

Article 23
(Extractive Industry's Highest Authority)

The Extractive Industry's Highest Authority (the *Alta Autoridade de Ind6ustria Extractiva*) shall control petroleum activities.

Article 24
(National Oil Company)

1. The National Oil Company (the *Empresa Nacional de Hidrocarbonetos - ENH, E.P.*) is the national entity responsible for the exploration, production and trading of petroleum products and represents the State in petroleum operations.

2. ENH, E.P. is empowered to participate in all petroleum operations and in the respective phases of activities, including the exploration, production, refining, transportation, storage and trading of oil and gas and its derivatives, including LNG and GTL, inside and outside the country.
3. ENH, E.P. is also empowered to manage the share of oil and gas to be allocated to developing the domestic market and the country's industrialization.
4. Any investor with an interest in the exploitation of petroleum resources in Mozambique shall enter into a partnership with ENH, E.P., which is the exclusive representative of the State.

**Article 25
(Taxes)**

1. The holders of rights to conduct petroleum operations shall be liable for the payment of the following taxes, in addition to specific taxes:
 - a) income tax;
 - b) value added tax;
 - c) municipal tax, when applicable;
 - d) other taxes established by law.
2. Specific rules for the taxation of petroleum operations shall be established by law.

**CHAPTER IV
PETROLEUM OPERATIONS**

**Article 26
(Subjects)**

1. Mozambicans or foreign legal persons registered in Mozambique, who demonstrate competence and technical capacity, and adequate financial

resources for the effective conducting of petroleum operations, may be holders of rights to undertake petroleum operations.

2. Foreign legal entities that directly or indirectly own or control legal entities holding rights under concession contracts shall be established, incorporated and administered in a transparent jurisdiction.
3. Applicants for rights to conduct petroleum operations, incorporated in the form of commercial companies shall, upon submission of an application, deposit documentary proof of incorporation, and of the identities of holders of participations and the respective amount subscribed.
4. In equal circumstances, Mozambicans or foreign legal persons that associate with Mozambicans shall enjoy preferential rights in respect of the allocation of concession contracts.

Article 27
(Government powers)

1. Government is empowered to approve regulations on petroleum operations, which shall include, among other matters, the following:
 - a) modalities for the granting of rights, and terms and conditions of concession contracts;
 - b) petroleum operation practices, including the management of resources, safety, health and environmental protection;
 - c) the submission of plans, reports, data, samples, information and accounts by the holders of rights, under their respective contracts or concession contracts;
 - d) rules regarding access to and use of facilities by third parties;
 - e) tender procedures for the purchase of materials, goods and services;
 - f) rules on the abandonment of areas included in concession contracts;
 - g) terms and conditions for State participation in any concession contract.

2. Government is also empowered, in the context of the management of petroleum operations, to:
- a) regulate concession contract modalities, and bidding rules for the awarding of petroleum operation rights;
 - b) approve the execution of concession contracts for exploration and production, for petroleum pipeline and gas pipeline systems and for facilities;
 - c) approve development plans, petroleum and gas pipeline system development plans, facilities plans and decommissioning plans and any significant amendments thereto;
 - d) approve unitization agreements and any material amendments thereto;
 - e) define powers with regard to the execution of other contracts in the context of this Law;
 - f) define powers regarding authorization for the transfer of rights and any subsequent concession contract amendments;
 - g) issue decisions regarding concession contracts or petroleum operations, for the purpose of implementing this law;
 - h) inspect any facilities or places where petroleum operations are being conducted;
 - i) determine the rules and approve contracts for third party access to facilities and the methodology for the setting of tariffs;
 - j) approve the methodology for the calculation of petroleum prices;
 - k) periodically prepare and publish an inventory of income resulting from petroleum operations;
 - l) define the forms and content in which guarantees shall be provided by holders of rights to undertake petroleum operations;
 - m) on terms and conditions to be agreed with the holders of rights to carry out petroleum operations, grant extensions to concession contract periods;

- n) approve the transfer of the ownership of facilities or of rights to use facilities;
- o) approve regulations on petroleum operations and perform other duties as prescribed in this Law and other applicable legislation.

Article 28

(Types of concession contracts)

1. The carrying out of petroleum operations shall be subject to the prior execution of a concession contract pursuant to this Law, granting rights:
 - a) of reconnaissance;
 - b) of exploration and production;
 - c) to construct and operate oil or gas pipeline systems;
 - d) to construct and operate facilities.
2. Without prejudice to the protection of the confidentiality of strategic commercial and competition-related information regarding petroleum operations, the main concession contract concluded shall be subject to reviewing and confirmation (*visto*) by the authority with legal competence for such purpose, and to publication of the main terms of the concession contract.

Article 29

(Reconnaissance concession contract)

1. A reconnaissance concession contract grants a non-exclusive right to perform preliminary research and evaluation work in the area of the concession contract, through aerial, land and other surveys, including geophysical, geo-chemical, paleontological, geological and topographic surveys.
2. A reconnaissance concession contract is granted for a maximum non-renewable period of two years and allows drilling up to one hundred meters beneath the surface of the land or the bottom of the sea.

Article 30

(Exploration and production concession contract)

1. An exploration and production concession contract grants an exclusive right to carry out petroleum operations, and a non-exclusive right to construct and operate facilities for petroleum production and transportation, from a concession contract area, unless access to an oil or gas pipeline system or to existing facilities is available on commercially acceptable terms and conditions.
2. Agreements between legal entities with a view to submitting applications for rights or for the conducting of petroleum operations shall be subject to government approval.
3. An exclusive petroleum exploration right, under an exploration and production concession contract, shall not exceed eight (8) years and shall be subject to provisions concerning the abandonment of the relevant areas.
4. In the event of a discovery, the holder of an exploration and production right may retain the exclusive right to complete the work started within a specified area, in relation to an exploration period, so as to comply with work and evaluation obligations or to determine commercial value, and to allow the development and production of petroleum.
5. The holder of an exploration and production right may, in accordance with the development plan approved by Government, retain the exclusive right to develop and produce oil and gas in the development area, subject to renewal for similar or shorter periods of time, in accordance with what is most advantageous for national interests.

Article 31

(Oil or gas pipeline system concession contract)

1. An oil or gas pipeline system concession contract grants a right to construct and operate oil or gas pipeline systems for the transportation of crude oil or natural gas in cases in which such operations are not covered by an exploration and production concession contract.
2. An oil or gas pipeline system concession contract shall be accompanied by the respective oil or gas pipeline development plan, which shall form an integral part thereof.

Article 32
(Facilities concession contract)

A concession contract for the construction and operation of facilities grants a right to build and operate facilities for those parts of petroleum production, such as processing and conversion, which are not covered by an approved exploration and production development plan.

Article 33
(Construction of facilities)

The construction and operation of an oil or gas pipeline system and the concession and operation of facilities shall be implemented through a concession contract resulting from a public tender.

Article 34
(Gas liquefaction)

The Government may authorize concessionaires who have discovered deposits of oil and non-associated natural gas to run projects for the design, construction, installation, ownership, financing, operation, maintenance and use of wells, facilities, and related equipment, whether on land or at sea, for the production, processing, liquefaction, delivery and sale of gas on the domestic market and for export.

Article 35
(Oil and gas for domestic consumption)

1. Government shall ensure that a share of not less than 25% of the oil and gas generated in the country is allocated to the national market.
2. Government shall regulate the purchase, price setting and other matters relating to the use of the share of oil and gas referred to in the preceding paragraph.

Article 36
(Marketing and trading)

1. Government shall ensure that *Empresa Nacional de Hidrocarbonetos E.P.*, which represents the State in the conducting of oil and gas business, leads the marketing and trading of the said products.

2. Government shall promote the widespread use of gas, in order to develop the domestic market and industrialize the country.

Article 37
(Capitalization of revenue)

The power to define a mechanism for the sustainable and transparent management of revenue arising from the country's petroleum resources, bearing in mind present needs, and those of future generations, is granted to Parliament.

Article 38
(Unitization of petroleum deposits)

1. A petroleum deposit which is located partially in one concession contract area and partially in another concession contract area shall be developed and operated jointly or in coordination, pursuant to a unitization agreement subject to Government approval.
2. If there is sufficient evidence that one or more of the deposits covered by the commercial development of any discovery extends into neighboring exploration and production areas, the right-holders shall, within six months after a Declaration of Commerciality, conclude an agreement regarding the most rational way in which to develop and unify production of the said oil and gas deposits.
3. After the time period indicated above, the Government shall decide on, and issue a notice regarding, the unitization and joint development of the identified petroleum deposits, for the sake of public interest and the rational and sustainable management of petroleum resources.

Article 39
(Burning of petroleum)

1. The burning of petroleum shall only be allowed under the conditions prescribed by the Government if it is demonstrated that all alternative methods for disposing of the petroleum are unsafe or unacceptable for the environment.
2. The burning of petroleum intended for the testing or verification and operation of facilities, or for reasons of safety or emergency, shall require permission from the Government.

Article 40

(Obligations in relation to the conducting of petroleum operations)

The holders of reconnaissance rights, exploration and production rights, and rights to construct and operate facilities and petroleum or gas pipeline systems, shall be obligated, as applicable, and with the necessary adaptations, to:

- a) carry out petroleum operations in accordance with the terms of this Law, the Regulations on Petroleum Operations, and other applicable legislation and petroleum industry best practice;
- b) report to the Government regarding any discovery in the concession contract area, within twenty-four hours;
- c) in the event of a commercial discovery, prepare and submit to Government a development plan for the petroleum deposit, and any subsequent significant amendment thereto;
- d) establish a fund for the closure and decommissioning of facilities;
- e) submit a Decommissioning Plan to the Government, before the time scheduled for the end of the period of production, the use of facilities or the concession contract;
- f) compensate injured parties for any losses or damage resulting from petroleum operations, as provided by law;
- g) publish all tenders related to the main contracts for the purchase of products, materials and services, in media with the widest circulation in the country, and on the holder's webpage;
- h) when the national interest so requires, give preference to the Government in the purchase of petroleum produced in the concession contract area in accordance with the terms of specific legislation.

Article 41

(Purchase of goods or services)

1. The purchase of goods or services by holders of rights to conduct petroleum operations of above a certain value, shall be made by tender, which shall be advertised using media with the greatest number of

users, via newspapers with the widest readership in the country and on the website of the respective holder.

2. Foreign natural or legal persons who provide services to petroleum operations shall associate themselves with Mozambican natural or legal persons.
3. In the evaluation of tenders, the quality of services, the price, the delivery time and the guarantees offered shall be taken into consideration.
4. Holders of rights to carry out petroleum operations shall give preference to local products and services, when they are comparable, in terms of quality, to international products, materials and services that are available at the time and in the required quantities, and when the price, inclusive of taxes, does not exceed the price of the available imported goods by more than 10% (ten) percent.

Article 42
(Resettlement)

1. An investor in an onshore petroleum undertaking shall cover the costs of resettling the population, after prior consultation with it.
2. Local State authorities and community authorities shall participate in the consultation process, along with representatives of affected persons.
3. Persons affected by resettlement shall be guaranteed living conditions which are decent, and better than those enjoyed in the area in which they currently live, via fair compensation.

Article 43
(Overlapping and incompatibility of rights)

1. The granting of rights relating to the exercise of petroleum operations is incompatible with a prior or subsequent granting of rights for the exercise of activities relating to [to the exploitation of] other natural resources, or the use of the same area.
2. If there is incompatibility in the exercise of the above mentioned rights, the Government shall decide which rights shall prevail, and on which conditions, without prejudice to the compensation owed to right-holders.

3. Rights relating to petroleum operations shall only be granted when national interests, as regards matters of defense, security, the environment, navigation, research, and the management and preservation of natural resources - in particular aquatic biological living and non-living species - are safeguarded, and the competent sectorial entities shall be consulted, in accordance with specific applicable law.

CHAPTER V DIRECT INVESTMENT

Article 44 (Form of investment)

1. Direct national or foreign investment may take the following forms, either individually or cumulatively, provided that it can be evaluated, in monetary terms:
 - a) An amount paid in freely convertible currency for the entire or partial purchase of shares in a company incorporated in Mozambique, or of an authorization to conduct petroleum activities, in cases of partial or total transfer, provided that the amount is paid into a bank registered in Mozambique or into a foreign bank account authorized under the exchange law;
 - b) equipment and respective parts, materials and other imported goods;
 - c) in the case of direct national investment, facilities, installations, and transfers of rights relating to the use of land, concessions, licenses and other rights of an economic, trade, or technological nature;
 - d) the assignment, in specific cases, and on agreed terms, sanctioned by the competent entities, of rights to use patented technology and trademarks, on terms to be regulated.
 - e) amounts spent on geological studies or other activities in terms of the obligations set out in this Law.
2. The amount of direct investment shall include the expenditure - duly accounted for and confirmed by a reputable auditing firm - incurred in prospecting and exploration, treatment, development, processing and

other petroleum operations relating to petroleum exploration and production.

3. State investment shall be made by way of the beneficiation of existing resources and in other forms to be defined by the Government.

Article 45
(Guarantees)

1. The safety and legal protection of the ownership of goods and rights, including industrial property rights, falling within the scope of authorized investments made into petroleum activities, shall be guaranteed.
2. Expropriation shall only occur exceptionally and when justified, for reasons of public interest, and shall be subject to the payment of fair compensation.
3. The determination of the amount of the compensation prescribed in paragraph 2 shall be calculated within 90 days, **by mutual agreement**, by a reputable commission, with recognized competence.
4. The compensation referred to in the above paragraphs shall be paid within 190 days, or any other agreed timeframe, calculated from the date on which the decision was taken or the report was presented.
5. The time period for assessment for the purposes of the taking of a decision regarding the valuation conducted and presented to the competent State body, shall not exceed 90 days, calculated as from the date of the receipt of the valuation.

Article 46
(Provision of a performance guarantee)

For the fulfilment of the terms and conditions established by a petroleum exploitation authorization, operators shall deposit a financial guarantee, on terms to be regulated.

Article 47
(Areas reserved for petroleum)

In the public interest, Government may reserve land for petroleum applications, and shall specify incompatible activities.

Article 48

(Local development)

A percentage of revenue generated by petroleum activities shall be channeled, through the State Budget, to the development of communities in areas in which the respective petroleum undertakings are located.

Article 49

(Development of industrial activities)

1. Petroleum resources shall be used, whenever needed, as raw materials for the transformative industry.
2. The State may request that petroleum products be delivered to it at negotiable prices for local industry use, whenever the commercial interests of the country so demand.
3. The industrial transformation of raw materials derived from petroleum exploitation shall be governed by specific legislation.

Article 50

(Extractive transparency initiative)

Petroleum exploitation companies are obliged to publish their results, the amounts paid to the State, and the costs incurred for corporate and social responsibility which is subject to supervision.

Article 51

(Right to use facilities)

1. The owner of facilities and the holder of a right to use facilities, under this Law, shall have an obligation to grant third parties a right to use the petroleum facilities, without discrimination and on reasonable commercial terms, as long as:
 - a) there is available capacity in the facilities;
 - b) there are no insurmountable technical problems which may prevent the use of the facilities for the meeting of third party requests.
2. If the available capacity in the facilities is insufficient to accommodate third party requests, the owner of the facilities shall be obliged to

increase the capacity, so that third party applications may be granted, on reasonable commercial terms, provided that:

- a) the third parties demonstrate the need for increased capacity, supported by a certificate of appropriate reserves, in accordance with petroleum industry best practice;
 - b) such increase does not have an adverse effect on the technical integrity or the safe operation of the facilities;
 - c) the third parties have secured sufficient funds to cover the costs of the application to increase capacity.
3. Any dispute between the owner of the facilities, or the holder of a right to use the facilities, and third parties, relating to the use of the facilities, shall be settled by agreement, and if this is not possible, by an independent entity, on the terms to be set out in regulations.

Article 52
(Data ownership)

1. All data obtained pursuant to any contract or concession contract provided for under this Law shall be the property of the State.
2. The terms and conditions for the exercise of rights over data shall be established in the regulations and in the respective contract or concession contract.

Articles 53
(Transfer)

1. The direct transfer of rights and obligations granted under a concession contract, to an affiliate or third party, shall be conducted according to Mozambican law and shall be subject to Government approval.
2. This provision also applies to other direct or indirect transfers of participation interests in concession contracts, including the assignment of the shares, quotas or other forms of participation of the entity holding rights under the concession contract.

CHAPTER VI LAND AND ENVIRONMENT

Article 54

(Use and appropriation of land and easement)

1. The use and appropriation of land for the carrying out of petroleum operations is governed by land legislation.
2. For the purpose of the carrying out petroleum operations, the duration of a right to use and appropriate land shall be compatible with what is established in the respective concession contract.
3. Areas within a fifty-meter radius from facilities shall be deemed to be partial protection zones.
4. The area corresponding to the facility safety zone shall be defined by regulation.
5. A holder of a right to conduct petroleum operations who, by virtue of the exercise of its rights in a concession contract area, causes damage to crops, soil, buildings, equipment or improvements, shall have an obligation to compensate the holders of title to such assets, in terms of generally applicable legislation.
6. If petroleum operations cause environmental damage or pollution, the holder of the right to conduct petroleum operations shall compensate the party suffering such loss or damage, regardless of fault.
7. Without prejudice to the payment of compensation which is due, the holder of a right to conduct petroleum operations may demand the establishment of easements, in accordance with legislation in force, in order to have access to areas where petroleum operations are carried out.

Article 55

(Environmental supervision)

The Government shall ensure strict compliance with environmental rehabilitation and protection norms, in terms of the law and conventions and international best practice.

Article 56
(Liability for damage)

Petroleum operators shall be liable for damage to facilities, the environment, the territorial waters and public health during the handling, transportation and exploitation of oil and gas.

Article 57
(Protection of natural resources)

1. The Government shall establish a natural resources protection plan, which shall, in particular, relate to the control of piracy and hydrocarbon leaks, and the protection of the economic exclusive zone.
2. An investor shall guarantee the coexistence of marine fauna and other ecosystems, particularly in conservation and fishing areas.

Article 58
(Partial and total protection zones)

The carrying out of petroleum activities in total and partial protection zones shall be conducted in terms of the applicable legislation.

**CHAPTER VII
EXPLOSIVES AND RADIOACTIVE MATERIALS**

Article 59
(Use of explosives)

1. The use of explosive substances in petroleum activities shall be subject to Mozambican legislation.
2. A petroleum work plan shall include the adoption and planning of safety techniques and measures for the planning, execution and monitoring of the use of explosives, which shall be submitted for approval by the competent authorities.

Article 60
(Explosives which may be used in petroleum activities)

The explosive substances in which may be used in the context of petroleum activities are, exclusively, those legally established in legislation in force in Mozambique.

Article 61
(Purchase, transportation and use of explosives)

The purchase, transportation, handling, storage and use of explosive products, gun powder and materials for starting fires shall be conducted by duly licensed personnel and entities, in terms of a specific authorization.

Article 62
(Radioactive material)

1. Further to what is established in paragraph 2 of article 57 of this Law, the use and appropriation of petroleum resources shall, equally, be conducted in accordance with the norms in force for protection from exposure to ionizing radiation.
2. Prospecting and exploration and other petroleum operations shall, as far as the exposure of people, goods and the environment to ionizing radiation is concerned, be subject to prior authorization by the Atomic Energy Regulatory Authority.

Article 63
(Inspection and supervision)

1. Petroleum exploitation activities shall be subject to inspection and supervision, aimed at guaranteeing the sustainable, rational use and appropriation of petroleum resources.
2. The General Inspectorate of the Ministry that oversees the petroleum resources sector is empowered to oversee compliance with this Law and with other legal provisions that govern petroleum activities, and technical safety in petroleum operations.
3. For the conducting of an inspection, Government may appoint an independent entity or other specially established commission, in terms of regulations.

Article 64
(Access to zones subject to maritime jurisdiction)

Access to petroleum operation sites or facilities located in interior waters or the territorial sea, on the continental shelf, in the exclusive economic zone and in other zones subject to maritime jurisdiction, shall be defined in accordance with applicable legislation.

Article 65
(Inspection)

1. Facilities and places in which petroleum operations are being conducted, shall be subject to inspection and auditing.
2. Inspection and auditing shall be conducted by a commission established by Government or by an independent body appointed by Government.

Article 66
(Environmental protection and safety)

1. In addition to carrying out petroleum operations in accordance with petroleum industry best practices, holders of rights of reconnaissance, rights of exploration and production, and rights to construct, install and operate facilities and oil or gas pipeline systems, shall carry out petroleum operations in accordance with environmental and other applicable legislation in order to:
 - a) ensure that there is no ecological damage or destruction caused by petroleum operations, and, when this is unavoidable, that environmental protection measures are in accordance with internationally acceptable standards, for which purpose the rights-holder shall conduct, and submit for the approval of the competent authorities, environmental impact studies, including as regards impact mitigation measures;
 - b) control the flow and prevent the leakage or loss of petroleum.
 - c) avoid damage to the petroleum deposit;
 - d) avoid the destruction of groundwater land, rivers, lakes, flora and fauna, crops, buildings or other facilities and goods;

- e) clean up sites after any leaks or discharges, the termination of the use of facilities or the termination of petroleum operations, and comply with environmental restoration requirements;
 - f) guarantee the safety of personnel in the planning and carrying out of petroleum operations;
 - g) report to Government on the number and quantities of operational and accidental discharges, leaks and losses resulting from petroleum operations;
2. The holders of rights under this Law shall act in a secure and effective manner when carrying out petroleum operations, in order to guarantee the disposal of polluted water and waste in accordance with approved methods, and the safe plugging and decommissioning of all boreholes and wells before these are abandoned.

CHAPTER VIII FINAL PROVISIONS

Article 67 **(Offenses)**

1. The following shall, inter alia, constitute violations of the provisions of this Law and be subject to the sanctions herein:
- a) The conducting of petroleum operations without the necessary title or approvals;
 - b) The withholding of information obtained in the carrying out of petroleum operations or the improper disclosure of information;
 - c) A failure to provide any guarantees required by law;
 - d) A breach of orders and specific administrative instructions issued by the Government;
 - e) A failure to comply with the regulations in force concerning its activities, and to act in accordance with petroleum industry best practice.
2. Subject to civil or criminal proceedings and other measures provided for in applicable law, the breach of the provisions of this law and the

contractual obligations herein shall render the rights-holder liable for sanctions which may range from a mere warning to fines, a suspension of work and the revocation of the concession contract, pursuant to regulations.

Article 68
(Existing contracts)

1. Rights acquired under existing contracts and concession contracts executed according to Law 3/2001, of February 21, relating to petroleum operations, shall remain valid.
2. When the contracts mentioned in the above paragraph cease to be in force, the new contracts and concessions will be executed in terms of this Law.

Articles 69
(Dispute Resolution)

1. Any disputes arising from contracts and from concession contracts shall preferably be resolved by means of negotiation.
2. If a dispute cannot be resolved by agreement, the dispute may be submitted to arbitration or to the competent judicial authorities, on the terms and conditions established by the concession contract or, when the concession contract has no arbitration clause, to the competent judicial authorities.
3. Arbitration between the Mozambican State and foreign investors shall be conducted in accordance with:
 - a) the law that governs arbitration, conciliation and mediation as alternative dispute resolution mechanisms;
 - b) the rules of the International Centre for the Settlement of Disputes between States and Nationals of Other States (ICSID), approved in Washington on 15 March 1965, or pursuant to the Convention on the Settlement of Disputes between States and Nationals of Other States;
 - c) the rules set out in the Supplementary Mechanism Regulations, as adopted on 27 September 1978 by the Board of Directors of the

International Centre for Settlement of Investment Disputes, whenever the foreign entity does not meet the conditions of nationality provided for in Article 26 of the Convention;

- d) the rules of such other international institutions of recognized standing, in accordance with what was agreed by the parties to the concession contracts referred to in this Law, provided that the parties have expressly specified the conditions for their implementation, including the method for the appointment of arbitrators and the time limit within which the decision shall be made.

Article 70
(Regulations on petroleum operations)

Government is empowered to regulate the matters set out in this Law, within 60 days.

Article 71
(Revocation)

Law 3/2001 of February 21, and any other legislation contrary to this Law, is revoked.

Article 72
(Entry into Force)

This Law shall entry into force on the date of its publication.

Approved by the Assembly of the Republic on 14 August 2014.

The President of the Assembly of the Republic, Verónica Nataniel Macamo Dlhovo.

Enacted on 18 August 2014.

For publication.

The President of the Republic, ARMANDO EMÍLIO GUEBUZA

Glossary

- a) **Concession Contract** - an administrative contract whereby the State awards a right to carry out petroleum operations to a Mozambican Person or a foreign legal person registered in Mozambique;
- b) **Concession contract area** - area within which a rights-holder is authorized to conduct petroleum operations.
- c) **Crude oil** - crude mineral oil, asphalt, ozokerite and all types of petroleum and bitumen in its natural state, whether solid or liquid, or obtained from natural gas by condensation or extraction, excluding coal or any substance which may be extracted from coal.
- d) **Decommissioning** - activities related to the planning, preparation and implementation of the cessation of petroleum operations, including the termination of the use of facilities and their removal and disposal;
- e) **Decommissioning plan** - a document containing the options for the closure of Petroleum Operations, and the reuse or removal and storage of facilities, including a schedule of activities and costing.
- f) **Development** - activities relating to the planning, preparation, construction and installation of one or more facilities for the production of petroleum, including the drilling of wells for the purpose of carrying out petroleum operations;
- g) **Development and production area** - part of the concession contract area, delineated after the making of a commercial discovery.
- h) **Development plan** - a document containing options for the development of a petroleum deposit, the schedule of activities and an estimate of costs for the production of petroleum discovered in a concession contract area and the construction, placement and operation of the required facilities;
- i) **Development plan for facilities** - a document containing the schedule of activities and anticipated costs for the construction, implementation and operation of facilities, when such activities and anticipated costs are not covered by a Development Plan.
- j) **Discovery** - the first petroleum encountered in a geological structure by drilling, that can be brought to the surface by petroleum industry methods;
- k) **Exploration** - reconnaissance activities, and other petroleum operations and use of facilities, to the extent to which the said use is intended for the discovery of petroleum and the valuation of the discovery, including drilling;

- l) **Facilities** - installations, including platforms, installations for liquefaction, plants or vessels, and other equipment intended for the carrying out of petroleum operations, excluding supply and support vessels and vessels or vehicles that transport petroleum in bulk. Unless otherwise defined, a facility also includes cables or petroleum and gas pipelines;
- m) **Gas and oil pipeline development plan** – a document containing a schedule of activities and cost estimates for the construction, implementation and operation of an oil or gas pipeline system.
- n) **Mozambican person** - any legal person established and registered pursuant to Mozambican legislation, with its headquarters in Mozambique, over fifty one percent (51%) of the share capital of which is held or controlled by national citizens or Mozambican companies or institutions, whether private or public;
- o) **National legal person** – one that is incorporated in Mozambique and has its headquarters and effective management in the national territory, and in which the majority of the share capital is held by Mozambicans.
- p) **Natural Gas** - Petroleum which, under normal atmospheric conditions, is in a gaseous state, and unconventional gas, including coal-bed methane and shale gas;
- q) **Petroleum** – crude oil, natural gas or other natural concentrations of hydrocarbons, in the physical state in which it is found in the subsoil, produced or capable of being produced from or in association with crude oil, natural gas, shales and tar sand;
- r) **Petroleum deposit** - an accumulation of petroleum in a geological unit limited by characteristic, structural or stratigraphic rocks, with contact surfaces between the petroleum and the water in the formation, or a combination of these, such that all of the petroleum is in communication, under pressure, as a liquid or gas; or a portion of a geological unit, such as shale or coal, containing petroleum, which has been delineated for petroleum exploration and production purposes;
- s) **Petroleum industry best practice** - all those practices and procedures that are commonly employed in the international petroleum industry, aimed at the optimal management of petroleum resources and prudent petroleum operations, including the conservation of pressure, ensuring the regularity of petroleum operations and giving due consideration to health, safety, environmental protection, and technical and economic efficiency.
- t) **Petroleum operations** - the planning, preparation and implementation of activities related to reconnaissance, exploration, development, production, storage, or transportation, and the

- cessation of such activities or the termination of the use of facilities, including the implementation of a decommissioning plan, and the sale or delivery of petroleum up to the export or delivery point, which is the point at which the petroleum is delivered for consumption or use, or loaded as merchandise, including in the form of liquefied natural gas;
- u) **Petroleum or gas pipeline system** – (a) petroleum pipeline(s) or gas pipeline(s), including valve stations, compression or pump stations and any added facilities built for the purpose of transporting petroleum, excluding gathering pipelines from wells, or pipelines for the distribution of crude oil, natural gas or petroleum products;
 - v) **Petroleum products** - are derivatives and residues from the refining or processing of petroleum, such as propane, butane and mixtures thereof, also known as liquefied petroleum gas (GPL), motor vehicle gasoline, aviation gasoline (avgas), naphtha, kerosene, aviation oil, diesel, fuel oils, lubricating greases and oils, paraffin, solvents, bitumen products and any other analogous products with other names and origins that can be used in the same way, including synthetic products and compressed natural gas (CNG) and other gaseous fuels intended solely for use as fuel, excluding pure biofuels.
 - w) **Production** – the extraction of petroleum from subsoil petroleum deposits, including drilling for petroleum production purposes, injection for improved recovery, separation and treatment, including liquefaction, storage, measurement, preparation for the loading and transportation of petroleum in bulk, and the operation and use of facilities for petroleum production;
 - x) **Reconnaissance** – geo-scientific and geo-technical activities, including shallow drilling, that allow a preliminary assessment of the petroleum potential of an area, including the acquisition and interpretation of information, samples and data.
 - y) **Single national person** – a single person of Mozambican nationality.
 - z) **Transparent jurisdiction** - is understood to mean those jurisdictions in which the Government can independently verify the ownership, management and control and fiscal standing of a foreign legal person wishing to participate, or participating, in petroleum operations.
 - aa) **Transportation** - activities relating to the transportation of petroleum through a petroleum pipeline or gas pipeline system, in bulk, by vessels or vehicles, from the production facilities to the stipulated point of delivery.