

PETROLEUM LAW NO. 21/2014, DATED 18TH AUGUST

PREAMBLE

In light of the need to adapt the legal framework for petroleum activities to the present economic order of the country and the developments registered in the petroleum sector, with a view to ensure the competitiveness and transparency and safeguard the national interests, under the provisions of paragraph no. 1 of article 170 together with article 98, both from the Constitution, the Assembly of the Republic determines the following:

Article 1

Definitions

Terms and expressions in this law shall have the meaning indicated in annex A.

Article 2

Object

This Law 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.

Article 2

Scope

1. This 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.
2. This Law also applies to the use or consumption of petroleum, when such use is necessary or forms an integral part of the operations of production or transportation of petroleum under this Law.
3. It is excluded from the scope of this Law, petroleum refining and its industrial use, distribution and commercialization of petroleum products.

Article 4

The role of the State

1. The State 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.
2. The State may also, either directly or indirectly, engage in complementary or accessory activities

related to the activities mentioned in the previous paragraph.

3. The State and its institutions and other public entities have a decisive role in the promotion of evaluating the existing petroleum potential so as to provide access to the benefits of petroleum production and contribute to the economic and social development of the country.
4. The Government discloses the potentialities of the existing natural resources through previous consultation and negotiation with investors and local communities, as well as promoting the involvement of national entrepreneurship in petroleum enterprises.
5. The State ensures that part of the national petroleum resources is destined to the promotion of national development.
6. The Government guarantees the financing of the Empresa Nacional de Hidrocarbonetos, Empresa Pública (ENH, E.P.), its exclusive representative for the investment in the improvement and stabilisation of its participation in the gas and oil business.

Article 5

Evaluation and promotion for access to petroleum resources

1. The State and its institutions and other public entities have a decisive role in the promotion of the evaluation of the existing mining potential so as to allow access to the benefits of petroleum production and contribute to the economic and social development of the country.
2. The Government, through its action, promotes the investment in petroleum operations.

Article 6

Defence of national interests

While granting the rights for the performance of petroleum activities, under the scope of the present law, the State always ensures the respect for national interests with regard to defence, work, navigation, research and conservation of marine eco systems and other natural resources, existing economic activities, food and nutrition safety of the communities and the environment in general.

Article 7

Fair compensation

1. The State guarantees fair compensation, to be paid by the concessionaire of the rights of exploration of oil and gas, to the parties or communities that have, in any capacity, rights of use of the land as well as territorial waters.

2. When the available concession area comprises, fully or partially, areas occupied by families or communities that imply resettlement, the concessionaire must compensate those parties in a fair and transparent way in a manner and form to be ruled by the Council of Ministers.
3. Fair compensation must be set out in a memorandum of understanding between the Government, the concessionaire and the community.
4. The memorandum of understanding mentioned in the previous paragraph constitutes a requirement for the granting of the right of exploration of oil and gas.

Article 8

Contents of fair compensation

1. Fair compensation as mentioned in the previous article includes:
 - a) Resettling in dignified housing, by the concessionaire, in better conditions than previously held;
 - b) Payment of the value of any betterments in the terms of the Lands' Law and other applicable legislation;
 - c) Support in the development of activities that the life and food and nutrition safety of those affected is dependent on;
 - d) Preservation of the historic, cultural and symbolic heritage of families and communities in terms to be agreed by the parties.
2. Resettlement may only occur when exploration confirms the availability of petroleum resources object of the license for the commencement of production, in accordance with the principles defined by the Council of Ministers.

Article 9

Distinction between rights

The right of exploration of oil and gas is distinct from the right of use and exploitation of land or other pre-existent rights, in the terms of the law.

Article 10

No overlapping of rights

1. The granting of the right of exploration of oil and gas does not imply the granting of the right of use and exploitation of land or other pre-existent rights, which belongs to the State.
2. The Government must decree the termination of the right of exploration of oil and gas and of the oil operations, for license expiry, extinguishment of resources or the law violation.
3. Once the right of exploration of oil and gas is terminated, the persons with the pre-existent

rights, or their heirs, have a pre-emption right in any rights waived in favour of the State.

Article 11

Involvement of communities

1. The communities must be given prior notice of the beginning of exploration activities, as well as of the need of temporary re-settlement for that purpose.
2. The communities must be previously consulted for the obtaining of authorisation for the beginning of petroleum activity.
3. The Government shall create mechanisms for involvement and ensure the organisation and participation of the communities in the areas where petroleum enterprises are set up.

Article 12

Work force in the petroleum exploration activity

1. The oil and gas exploration companies shall ensure a harmonious environment in work relations.
2. The petroleum exploration companies must ensure the employment and the technical-professional training of Mozambican nationals, as well as their participation in the management and in the petroleum operations.
3. The petroleum exploration companies shall take the required measures to ensure the safety and hygiene of their workers in accordance with the Mozambican law and good international practices.
4. The recruitment of staff for the petroleum exploration companies shall be published in the major circulation newspapers of the country, or through radio, television and internet, stating the nearest delivery point, stating as well, the required conditions, and the publications of the results.

Article 13

Promotion of national entrepreneurship

1. The Government must create mechanisms and outline the conditions for the involvement of the national entrepreneurship in the oil and gas enterprises.
2. The oil and gas companies must be registered in the Mozambique's Stock Exchange in accordance with the applicable Mozambican legislation.

CHAPTER II

RIGHTS, DUTIES AND GUARANTEES

Article 14

General rights of the right holders

The petroleum operations right holders have, among others, the following rights:

- a) to consult the relevant authorities for the available geological information of the concession contract;
 - b) to obtain the collaboration of the administrative authorities for performance of field work and for the setting up of rights of way, according to the law;
 - c) to build and install the infrastructure and the necessary facilities for the execution of petroleum operations;
 - d) to use, in the pertinent legal and regulatory conditions, the defined areas for the setting up of the petroleum facilities, buildings and equipment;
 - e) to perform the necessary geological activities for the execution of the approved plans, without any limitations other than those arising from the concession contract, or by dispatch of the supervising entity of the petroleum sector;
 - f) to extract, export and benefit from the petroleum resources object of the concession contract according to the law.
- i) to comply with the environmental impact study;
 - j) to promote the protection of nature and the environment in accordance with the environmental impact study, approved by the competent authorities;
 - k) to promote the public safety, health, hygiene and sanitation in accordance with the national and international regulations applicable in the Republic of Mozambique;
 - l) to inform on the occurrence of petroleum operations with regard to the use soil and the characteristics of the environment;
 - m) to repair, in the terms of the law, any damage caused to third parties by the exercise of petroleum operations.

Article 15

General obligations of the right holders

The petroleum operations right holders have, among other, the following obligations:

- a) not to start the petroleum operations without the relevant concession contract;
- b) to ensure the employment and technical training to national citizens, preferably to those who live in the concession area;
- c) to apply the most appropriate methods for the achievement of the highest revenue, compatible with the economic conditions of the market, including environmental protection and the rational use of petroleum resources;
- d) to register all activities, including any investigations made;
- e) to allow the control and supervision of its activity by the competent authorities, including access to technical, economic and financial nature data related to the petroleum operations;
- f) to progressively release the initial area allocated to the granting of petroleum operations, in the terms and conditions of the present Law and respective regulation;
- g) to fulfil the work plans in accordance with each stage of the approved petroleum operations, always complying with the legal and regulatory applicable rules and the best methodology for the performance of petroleum operations;
- h) to meet the deadlines for the execution of the petroleum operations and the approved production programme, maintaining the exploration in activity, except in the case of authorised or

imposed interruption, or when determined by *force majeure*;

- i) to comply with the environmental impact study;
- j) to promote the protection of nature and the environment in accordance with the environmental impact study, approved by the competent authorities;
- k) to promote the public safety, health, hygiene and sanitation in accordance with the national and international regulations applicable in the Republic of Mozambique;
- l) to inform on the occurrence of petroleum operations with regard to the use soil and the characteristics of the environment;
- m) to repair, in the terms of the law, any damage caused to third parties by the exercise of petroleum operations.

Article 16

Guarantees of the right holders

The petroleum operations right holders have the following legal guarantees:

- a) to transfer the rights and obligations resulting under the concession contracts, after obtaining the necessary authorisation;
- b) to obtain support for the performance of petroleum operations and the respect for its inherent rights;
- c) be entitled to freely dispose and commercialise the oil and gas according to the rules and procedures of the present Law and complementary legislation on the matter;
- d) to resort to international arbitration for the resolution of disputes when all alternative resolutions means are extinguished.

Article 17

Conditions for carrying out petroleum operations

1. The petroleum operations shall be carried out via a concession contract following a public tender, simultaneous negotiation or direct negotiation.
2. The granting of rights for carrying out petroleum operations under the terms of the present Law shall always abide by national interests with regard to defence, navigation, exploration and 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

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.

Article 19

Administration of petroleum operations

1. The Government shall implement policies that ensure the execution of petroleum operations including the implementation of the necessary regulations for its application.
2. The Government shall ensure that a percentage of the revenue generated in the petroleum production is channelled to the development of the communities in the areas where the petroleum operations are being conducted.
3. The percentage referred in the previous paragraph is fixed by the State Budget with reference to the expected revenues of the petroleum operations.

Article 20

State Participation

1. The State reserves the right to participate in petroleum operations in which any legal entity is involved.
2. The participation of the State may occur during any phase of the petroleum operations in accordance with the terms and conditions to be established by contract.
3. The State shall progressively promote the increase of its participation in the oil and gas enterprises.

Article 21

Public Tender

1. The Government shall launch a public tender for the activities of exploration, production and exploration of oil and gas.
2. The public tender procedures are defined by regulation, without prejudice to the application of the general legislation on the matter.

Article 22

Instituto Nacional de Petróleos (National Petroleum Institute)

1. The Instituto Nacional de Petróleos (INP), a public legal entity, with legal, autonomous, administrative, financial and assets personality, is supervised by the Ministry responsible for petroleum activities.
2. The Instituto Nacional de Petróleos is the regulatory entity responsible for the administration and promotion of petroleum activities, under the tutelage of the Ministry responsible for the petroleum activities, responsible for the guidelines for public and private sectors' participation in the

prospecting and exploration of petroleum products and their derivatives.

3. The responsibilities, organisation and operation of the Instituto Nacional de Petróleos are defined by the Government and adjusted to the present Law.

Article 23

Alta Autoridade da Indústria Extractiva (High Authority for the Extraction Industry)

The Alta Autoridade da Indústria Extractiva operates in the controlling of petroleum activities.

Article 24

Empresa Nacional de Hidrocarbonetos (National Petroleum Company)

1. Empresa Nacional de Hidrocarbonetos (ENH, E.P.) is the national entity responsible for the prospecting, exploration, production and commercialisation of petroleum products and represents the State in petroleum operations.
2. It is ENH, E.P.'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 inside the country or abroad.
3. It is also ENH, E.P.'s responsibility to manage the oil and gas quotas destined for the development of the national market and the country's industrialisation.
4. Any investor interested in the exploration of petroleum resources in Mozambique shall enter into a partnership with ENH, E.P., the exclusive State representative.

Article 25

Taxes

1. The petroleum operations right holders are subject to the payment, besides specific taxes, of the following:
 - a) Income Tax;
 - b) Value Added Tax;
 - c) Municipal Tax when applicable;
 - d) Other taxes established by law.
2. The specific rules regarding taxation of petroleum operations is established by law.

CHAPTER IV

PETROLEUM OPERATIONS

Article 26

Subjects

1. Mozambican or foreign legal entities that are registered in Mozambique, and who demonstrate that they have the technical capability and adequate financial resources for the effective conduction of petroleum operations may be holders of the right to carry out petroleum operations.
2. Foreign legal entities which directly or indirectly hold or control legal entities that own rights under a concession contract, shall be established, registered and administered under a transparent jurisdiction.
3. The applicants for rights regarding petroleum operations, in the form of commercial company, shall, together with the application, deposit a document showing evidence of the incorporation of the company, including the identification of the shareholders and the value of their participations.
4. Mozambican legal entities as well as foreign legal entities that associate with Mozambican legal entities shall have a pre-emption right in the granting of concession contracts.

Article 27

Government powers

The Government shall approve the petroleum operations regulation which must include, amongst others, the following:

- a) the forms of granting of rights, terms and conditions of the concession contract;
- b) petroleum operations practices, including the management of the resources, safety, health and environmental protection;
- c) submission of plans, reports, data, samples, information and accounts, by the right holder, in the terms of the respective contracts or concession contracts;
- d) access rules and use of infrastructure by third parties;
- e) tender procedure for the acquisition of material, goods and services;
- f) regulation on abandonment of areas under the concession contracts;
- g) the terms and conditions of the State participation in any concession contract.

The Government shall also:

- a) regulate the types of concession contracts and the tender rules for the granting of rights regarding petroleum operations;
- b) approve the execution of exploration and production concession contracts, oil pipeline or gas pipeline systems and infrastructure concession contracts ;

- c) approve development plans, oil pipeline or gas pipeline system and infrastructure plans, and any material amendments thereto prepared by the holders of petroleum exploration and production rights, and oil pipeline or gas pipeline system and infrastructure right;
- d) approve unitization agreements and any material amendments submitted by the exploration and production right holders;
- e) define the authorities with regard to the execution of other contracts subject to this Law;
- f) define the authorities with regard to the authorization of the transfer of rights and supervening changes to the concession contract;
- g) approve regulations or issue decisions in relation to concession contracts or oil operations in order to implement this Law;
- h) supervise all infrastructure and premises where petroleum operations are held;
- i) approve the access rules for oil pipelines or gas pipelines systems and infrastructure, and the methodology for setting tariffs for third party access;
- j) approve the methodology for pricing;
- k) inventory petroleum operations revenues and publish them periodically;
- l) define the types of guarantees to be provided by petroleum operations right holders ;
- m) grant an extension of time of the concession contract, in the terms and conditions to be agreed with the right holders;
- n) approve the conveyance of property of the infrastructure or the respective right of use;
- o) approve petroleum operations regulation and exercise any other authority granted by this Law and other applicable legislation.

Article 28

Types of contracts

1. The conduct of petroleum operations is subject to the prior execution of a concession contract or other form of contract in accordance with this Law, which grants rights of:
 - a) reconnaissance;
 - b) exploration and production;
 - c) construction and operation of oil pipeline or gas pipelines systems;
 - d) construction and operation of infrastructure.
2. Without prejudice to the confidentiality of the commercial, strategical and competitive information of petroleum operations, the

concession contract is subject to the supervision and *visa* by the competent legal authority, as well as to the publication of the main clauses of the concession contract.

Article 29

Reconnaissance concession contract

1. 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, paleontological, geological and topographical studies.
2. A reconnaissance concession contract is executed for a maximum period of two years, non-renewable, and permits the drilling of wells to a depth of 100 meters below the surface 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 exploration and production, as well as a non-exclusive right to construct and operate oil pipelines or gas pipelines systems for 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.
2. The contracts entered into between legal entities with the purpose to submit a request for rights or for carrying out petroleum operations are subject to the approval of the Government.
3. The exclusive right to petroleum exploration, under an exploration and production concession contract, will not exceed 8 years and shall be subject to the provisions regarding abandonment of areas.
4. In the event of a discovery, the holder of an exploration and production right may maintain the exclusive right to complete the operations initiated within a specified area, in relation to the exploration period, for completion of the work schedule and commercial value assessment or determination and to allow the petroleum development and production.
5. The holder of an exploration and production right may maintain, in accordance with the development plan approved by the Government, the exclusive right to develop and produce oil and gas in the development production area, subject to renewal for equal or shorter periods, as it is more beneficial for the national interest.

Article 31

Oil pipeline or Gas pipeline system concession contract

1. 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 that such operations are not covered by an exploration and production concession contract.
2. An oil pipeline or a gas pipeline system concession contract shall be accompanied by the relevant development plan, which is an integral part of the concession contract.

Article 32

Concession and infrastructure 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.

Article 33

Infrastructure construction

The construction and operation of an oil pipeline and gas pipeline system, as well as the concession and operation of infrastructure, are enabled through a concession contract following a public tender.

Article 34

Gas liquefaction

The Government may authorize the concessionaires who have discovered oil and gas deposits not associated to 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.

Article 35

Oil and gas for internal consumption

1. The Government shall guarantee that a quota of no less than 25% of the oil and gas produced in national territory is dedicated to the national market.
2. The Government rules the acquisition, price definition and other matters related to the use of the oil and gas quota mentioned in the previous paragraph.

Article 36

Marketing and commercialisation

1. The Government shall guarantee that Empresa Nacional de Hidrocarbonetos, E.P., the State's representative in the oil and gas, business takes the lead in the marketing and commercialisation of the referred products.
2. The Government shall promote the mass use of gas for the development of the national market and the country's industrialisation.

Article 37

Capitalisation of revenue

It is for the Assembly of the Republic to define the sustainable and transparent management of revenue from the country's petroleum resources, taking into account the satisfaction of the present needs and that of the future generations.

Article 38

Unitization of petroleum deposits

1. A petroleum deposit which is located partly in a contract area and partly in another contract area shall be developed and operated jointly or in a coordinated manner pursuant to a unitization agreement, which is subject to approval by the Government.
2. If there are sufficient indicators that one or more of the petroleum deposits comprehended by the commercial development of a find extends to neighbouring areas of exploration and production, the right holders must, within six months, after declaration of commerciality, reach an agreement on the most rational unified development and production of the mentioned oil and gas deposits.

Article 39

Flaring of petroleum

1. The flaring of petroleum shall only be permitted on terms to be defined by the Government provided that it is demonstrated that all alternative methods for the disposal of the petroleum are unsafe or not acceptable for the environment.
2. The flaring of petroleum performed for the purpose of testing, infrastructure verification or for safety or emergency reasons, is subject to authorization by the Government.

Article 40

Obligations reading conduction of petroleum operations

The holder of a reconnaissance, exploration and production, infrastructure construction and operation and oil pipeline or gas pipeline system right are obliged, to the extent applicable and with the required changes, to:

- a) Carry out petroleum operations in accordance with the terms of this Law, the Regulations for Petroleum Operations, as well as other applicable legislation and good oil industry practices;
- b) report to the Government any discovery in the concession contract area within twenty-four (24) hours;
- c) in the event of a commercial discovery, prepare and submit to the Government the development plan for the petroleum deposit, in accordance with the Regulations for Petroleum Operations;
- d) create a fund for the closure and decommissioning of the infrastructure;
- e) submit to the Government a decommissioning plan in advance of the end of the production period, termination of the use of infrastructure or of the concession contract;
- f) indemnify the injured parties for any losses or damages resulting from petroleum operations as provided by law;
- g) publish all tenders relating to the acquisition of products, materials and services, in the media channels with greater circulation in the country and on the web page of the right holder;
- h) when the national interest so requires, give preference to the Government in the acquisition of petroleum produced in the concession contract area, in accordance with specific legislation.

Article 41

Acquisition of goods and services

1. The acquisition of goods or services by the petroleum operations right holders, above a set amount, must be made through public tender and this must be published in the means of communication of greater incidence to the larger publication newspapers of the country and on the internet page of the respective right holders.
2. Single or collective foreign entities that provide services to the petroleum operations must associate to single or collective Mozambican entities.
3. In the evaluation of tender, the quality of the services, the price, delivery date and offered guarantees must be taken into account.
4. The petroleum operations right holders must give preference to local products and services when comparable, in terms of quality, to the international materials and services that are available in time and in the quantities required and when the price, including taxes, is not over by ten percent to the price of the available imported goods.

Article 42

Resettlement

1. The onshore petroleum enterprise investor shall guarantee the cost of resettlement of the populations after previous consultation of the same.
2. In the consultation process shall participate, besides the representatives of the said entities, the local State organs and community authorities.
3. Those included in resettlement shall be guaranteed dignified and better living conditions to those they possess in the area where they 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 the prior or post granting of rights for the exercise of the activities respecting to other natural resources or uses for the same area.
2. Should incompatibility occur in the exercise of rights referred in the previous paragraph, the Government shall decide which rights shall prevail and in which conditions, without prejudice of the compensations due to the holders.
3. The granting of rights relating to petroleum operations shall only be made with the safeguarding of the national interests with regard to defence, safety, environment, navigation, investigation, management and preservation of the natural resources, particularly aquatic, biologic living and non-living, and the competent entities in the sector shall be heard, in the terms of the specific legislation applicable.

CHAPTER V

DIRECT INVESTMENT

Article 44

Forms of investment

1. Direct investment, both national and from abroad may, solely or jointly, be made in the following manners if quantifiable in pecuniary terms:
 - a) value paid in money freely convertible by total or partial acquisition of shares in a company set up in Mozambique or the authorisation for petroleum activity, in the cases of partial or total transfer, so long as the value is paid in a bank registered in Mozambique or in an external authorised account in the terms of the foreign exchange law;
 - b) equipment and respective accessories, materials and other imported goods;

c) 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 technologic nature rights;

- d) transfer, in specific cases and in the terms agreed on, and sanctioned by the relevant entities of the rights of use of patented technology and registered trademarks, in terms to be regulated;
- e) value spent in geologic studies or other activities in the scope to the obligations under the present Law.

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

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

Article 45

Guarantees

1. 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 is guaranteed.
2. Expropriation may only occur exceptionally and substantiated, with regard to public interest and is subject to the payment of fair compensation.
3. Determining the value of compensation mentioned in no. 2 above shall be reached within 90 days or another term agreed on, by mutual agreement and by a recognized independent and competent commission.
4. The payment of compensation referred in the previous paragraphs is made within 190 days, or another term agreed on, counted from the date of the decision or presentation of the report.
5. The assessment period for the purpose of making a decision on the evaluation made and presented to the competent State body must not exceed 90 days counted from the date of reception of the evaluation process.

Article 46

Performance guarantee provision

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

Article 47

Reserved petroleum areas

For public interest reasons, the Government may preserve the land for petroleum exploration requests, specifying the incompatible types of activities.

Article 48

Local development

A percentage of the revenue generated by the petroleum activity is allocated in the State Budget to the development of the communities of the areas where the respective petroleum enterprises are located.

Article 49

Development of industrial activity

1. The petroleum resources must be used, whenever required, as raw material for the processing industry.
2. The State may request the petroleum product at negotiable prices for use in local industry, whenever the country's commercial interests demand it.
3. The industrial processing of raw materials from the petroleum exploration is regulated by specific legislation.

Article 50

Extractive transparency initiative

The petroleum exploration companies must publish their results, the amounts paid to the State, as well as the costs related to social and corporative responsibility, subject to supervision.

Article 51

Right of use of infrastructure

1. The owner of an infrastructure and the holder of the right of use of an infrastructure under the present Law must give third parties the right of use of the infrastructure related to the petroleum operations, without discrimination and in reasonable commercial terms if:
 - a) there is available capacity in the infrastructure;
 - b) there are no insurmountable technical problems which may prevent the use of the infrastructure to satisfy the request by third parties.
2. If the available capacity of the infrastructure is insufficient to accommodate third parties' requests, the owner of the infrastructure must increase the capacity so as to, in commercially reasonable terms, third parties' requests may be satisfied, if:
 - a) the third parties demonstrate the need for an increase in capacity, sustained by an adequate

reservation certificate, in accordance the good practices in the petroleum industry;

- b) such an increase does not create an adverse effect over the technical integrity or the safe operation of the infrastructure;
- c) the third parties have secured sufficient funds to sustain the costs of the increase in capacity.
3. Any dispute between the owner of the infrastructure or the holder of the right of use of the infrastructure and any third parties is settled by agreement and, failing which, by an independent entity in terms to be regulated.

Article 52

Data ownership

1. All data obtained under any contract or concession contract set out in the present Law is property of the State.
2. The terms and conditions of the exercise of the rights over the data are fixed by regulation and in the respective contract or concession contract.

Article 53

Transfer of rights

1. Any direct transfer of rights and obligations granted under the concession contract, to an affiliate or to a third party shall be made in accordance with Mozambican law and is subject to the Government's approval.
2. The present provision shall also apply to other direct or indirect transfers of interests in the concession contracts, including the transfer of shares, quotas or other forms of participation of the right holders under the concession contract.

CHAPTER VI

LAND AND THE ENVIRONMENT

Article 54

Use and benefit of land and right of way

1. Land use and land benefit for the purpose of conducting petroleum operations is regulated by the land legislation.
2. For the purpose of conducting petroleum operations, the duration of the right of use and benefit of the land shall be the compatible with the established by the respective concession contract.
3. A 50-meter strip of land surrounding petroleum infrastructure is considered to be a zone of partial protection.
4. The area corresponding to the security zone for petroleum infrastructure will be defined in accordance with terms to be regulated.
5. The holder of a right to conduct petroleum operations who causes damage to crops, soil,

- buildings, equipment or betterments, has the obligation to compensate the holders of title to the referred assets, in accordance with the applicable legislation.
6. If the petroleum operations cause environmental damages or pollution, the petroleum operations right holder shall compensate the affected parties for the damages caused, regardless of fault.

7. Without prejudice to the payment of the compensations that are due, the holder of the right to conduct petroleum operations may require the creation of rights of way, in accordance with the legislation in force, in order to have access to the locations where petroleum operations are conducted.

Article 55

Environmental inspection

The Government ensures the rigorous observation of the protection and rehabilitation environmental norms, in the terms of the law and the conventions and good international practices.

Article 56

Damage responsibility

The petroleum operators shall be liable for damage to infrastructures, to environment, territorial waters and public health when handling, transporting, prospecting and exploring oil and gas.

Article 57

Protection of natural resources

1. The Government shall establish a protection plan of natural resources, particularly with regard to piracy control, hydrocarbons spillages and protection of the exclusive economic zone.
2. The investor shall guarantee the co-existence with marine fauna and other ecosystems, especially in conservation and fishing development activity areas.

Article 58

Full and partial protection areas

The operation of petroleum activities in areas of full and partial protection obeys the provisions of applicable legislation.

CHAPTER VII

EXPLOSIVES AND RADIOACTIVE MATERIALS

Article 59

Use of explosives

1. The use of explosive substances in the petroleum activity is subject to Mozambican law.

2. The petroleum exploration plan shall include the adoption of techniques and safety measures on planning, execution and supervision on the use of explosives which shall be submitted for approval by the relevant entities.

Article 60

Permissible explosives in petroleum activities

The explosive substances permitted in petroleum activities are exclusively those legally listed under the legislation existing in Mozambique.

Article 61

Acquisition, transport and use of explosives

The acquisition, transport, handling, storing and use of explosive products, gunpowder and initiation devices shall be performed by personnel and entities duly licensed with specific authorisation.

Article 62

Radioactive materials

1. Besides what is stated in no. 2 of article 57 of the present Law, the use and exploitation of petroleum resources shall, likewise, be exercised in conformity with the current rules on protection to the exposure of ionising radiations.
2. Prospecting and exploration and other petroleum operations, with regard to people, assets and environment exposure to ionising radiations is subject to previous authorisation by the Autoridade Reguladora da Energia Atómica (Atomic Energy Regulatory Authority).

Article 63

Inspection and supervision

1. The petroleum exploration activity is subject to inspection and supervision aiming at guaranteeing the rational and sustainable use and exploitation of petroleum resources.
2. It is the responsibility of the General Inspection of the Ministry that supervises the petroleum resources area's responsibility to control the observance of the present Law and other legal provisions that regulate the petroleum activity and the technical safety of petroleum activities.
3. The Government may also name a competent entity or a commission set up for the purpose, in terms to be regulated.

Article 64

Access to maritime jurisdiction areas

Access to places or infrastructures for petroleum operations located in inland waters, territorial sea, continental platform and exclusive economic zone and other maritime jurisdiction areas is defined in the terms of the applicable legislation.

Article 65

Inspection

1. The infrastructure and places where petroleum operations are being performed are subject to inspection and auditing.
2. The inspection and auditing shall be made by a commission set up by the Government or by an independent entity which it shall appoint.

Article 66

Environmental protection and safety

1. Beside performing the petroleum operations in accordance with good practices for the petroleum industry, the holders of prospecting, exploration and production, construction, installing an operation of infrastructure and systems of oil or gas pipelines, shall perform the petroleum operations in accordance with the environmental legislation and other legislation applicable for purpose of:
 - a) ensuring there is no ecologic damage or destruction caused by the petroleum operations and that when inevitable, the measures for the protection of the environment are in accordance with internationally accepted standards, and shall for this purpose perform and submit to the responsible entities for approval, the studies related to environmental impact, including measures to mitigate the referred impact;
 - b) controlling the flow and avoiding spillage or loss of petroleum;
 - c) avoiding damage to the petroleum deposit;
 - d) avoiding the destruction of groundwater soils, rivers, lakes, flora, fauna, crops, buildings or other infrastructures or other assets;
 - e) clearing the areas post spillages or discharges, termination of the use of infrastructures or termination of the petroleum operations and to comply with the requirements for the restoration of the environment;
 - f) guaranteeing the safety of the personnel planning and conducting petroleum operations;
 - g) reporting to the Government of the number and amount of accidental operational discharges or spillages, spillages and waste and losses resulting from the petroleum operations.
2. The holder of rights under the present Law shall act in the conduction 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

decommission of all holes and wells before abandonment.

CHAPTER VIII

FINAL DISPOSITIONS

Article 67

Violations

1. Among other dispositions, it constitutes violation of the present Law and is subject to sanctions, the following:
 - a) the exercise of petroleum operations without the respective contract or required approvals;
 - b) withholding of information obtained in the exercising of petroleum operations or undue disclosure of the information;
 - c) non-compliance with all guarantees required by law;
 - d) failure to comply with specific administrative orders and instructions from the Government;
 - e) failure to comply with the regulatory norms in force with regard to the activity as well as the good practices for the petroleum industry.
2. Without prejudice of civil or criminal procedures and other measures foreseen in special legislation which may be called upon, the violation of the dispositions of the present Law and the contract obligations are liable to the application of sanctions which may go from mere warning, fines, labouring suspension and revoking of the concession contract, in terms to be regulated.

Article 68

Contracts under execution

1. The rights acquired under the contracts and the concession contracts under execution, entered into under Law 3/2001, of 21 February, relating to petroleum operations, continue to be valid.
2. Upon termination of the contracts foreseen in the previous paragraph, the new contracts and concessions are executed under the terms of the present Law.

Article 69

Resolution of disputes

1. Any disputes arising from the contracts and concession contracts shall be resolved preferably by negotiation.
2. If the dispute cannot be resolved by agreement, the question may be submitted to arbitration or to the competent judicial authority, in the terms and conditions established by the concession contract or, in the absence of an arbitration clause in the concession contract, to the competent judicial authorities.

3. Arbitration between the State of Mozambique and foreign investors shall be conducted in accordance with:
 - a) the law that governs arbitration, conciliation and mediation as alternative methods of conflict resolution.
 - b) 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;
 - c) 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;
 - d) the rules of such other international instances of recognized standing as agreed by the parties in the concession contracts referred to in this Law, provided that the parties have expressly defined in the contract the conditions for implementation including the method for the designation of the arbitrators and the time limit within which the decision must be made.

Article 70

Regulations for petroleum operations

1. The Government is responsible for regulating all matters in the present Law within 60 days.

Article 71

Revocation

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

Article 72

Entry in force

This Law enters into force 30 days after its publication.

Annex

DEFINITIONS

- a) **"Associated natural gas"** – natural gas dissolved in crude oil or found in gaseous form at the top of oil deposits which, in the production process, is separated and becomes gas in normal atmospheric conditions.
- b) **"Concession contract area"** – area within which the holder of an exploration and production right is authorized to explore for, develop and produce petroleum.

- c) **"Concession contract"** – administrative contract under which the State confers to a private or public party the right to conduct petroleum operations.
- d) **"Crude oil"** – crude mineral oil, asphalt, ozocerite and all kinds of hydrocarbons and bitumen, in its natural solid or liquid form, or obtained from natural gas by condensation or extraction, excluding coal or any substance that may be extracted from coal.
- e) **"Decommissioning plan"** – document setting out the options for closure of the petroleum operation, re-use and removal and collection of the infrastructures which also includes the activities schedule and estimated costs.
- f) **"Decommissioning"** – the activities of planning, preparation and implementation of petroleum operations termination activities, including ceasing the use of infrastructure and removal and collection of all installations.
- g) **"Development and production area"** – a part of the area which, following a commercial discovery has been delineated accordingly to the terms of the exploration and production concession contract.
- h) **"Development plan"** – a document containing the options for the development of a petroleum deposit, the schedule of activities and the forecast for the costs of development of the production capacity of the petroleum discovered in a concession contract area, prepared in conformity with this Law, the Regulations for Petroleum Operations and the exploration and production concession contract.
- i) **"Development"** – the activities of planning, preparation, construction, installation and operation of one or more items of infrastructure for the production of petroleum, including the opening of production wells for the conduction of petroleum operations.
- j) **"Discovery"** – the first petroleum encountered in a petroleum reservoir by drilling, which is recoverable at the surface by conventional petroleum industry methods.
- k) **"Exploration"** – activities undertaken with a view to finding petroleum, and other petroleum operations and use of infrastructure insofar as the use is intended to discover petroleum and evaluate the discovery, including drilling.
- l) **"Good petroleum industry practice"** – all those practices and procedures that are generally employed in the international petroleum industry and aimed at the prudent management of petroleum resources, including the conservation of pressure, ensuring the regularity of petroleum operations and observing safety aspects, environment preservation, technical and economic efficiency.

- m) "**Infrastructure**" – facilities, including platforms, natural gas liquefaction facilities or ships other equipment for the conduction of petroleum operations, excluding support vessels that transport bulk petroleum. Unless otherwise defined, infrastructure also includes cables or oil pipelines and gas pipelines.
- n) "**Infrastructure development plan**" – a document containing the schedule of activities and the estimated costs for the construction, deployment and operation of infrastructures when such activities and estimated costs are not covered by a Development Plan.
- o) "**Mozambican person**" – any legal entity incorporated and registered pursuant to the Mozambican legislation with its headquarters in the country and having at least fifty one percent of its share capital held by national citizens or controlled by Mozambican citizens, or Mozambican public or private companies or institutions.
- p) **National collective person** – is the one registered in Mozambique and has its head office and effective management in national territory and the capital of which is predominantly national.
- q) **National single person** – single person of Mozambican nationality.
- r) "**Natural gas**" – all hydrocarbons, which are in a gaseous state under normal atmospheric conditions, including wet gas, dry gas and residue gas remaining after the extraction of liquid hydrocarbons, as well as non-conventional gas, including methane gas associated to coal and gas from bituminous shale.
- s) "**Oil pipeline or gas pipeline development plan**" – a document containing the schedule of activities and the forecast for the costs of construction, establishment and operation of an oil pipeline or gas pipeline system.
- t) "**Oil pipeline or gas pipeline system**" – oil pipeline(s) or gas pipeline(s) including valve stations, compression or pumping stations and any aggregated infrastructure, constructed for petroleum transport, excluding collection and flow pipelines or pipelines for distribution of crude oil, natural gas or petroleum products.
- u) "**Petroleum**" – 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.
- v) "**Petroleum deposit**" – an accumulation of petroleum in a geologic unit limited by characteristic, structural or stratified rocks, with contact surfaces between petroleum and water at its formation, or a combination of these in such a way that all petroleum is in communication under pressure through the liquid or gas; or part of a geologic unit such as shale or coal with petroleum which may have been mapped for the purpose of exploration and production of petroleum.
- w) "**Petroleum operations**" – operations related to the planning, preparation and implementation of the activities of reconnaissance, exploration, development, production, treatment, storage, petroleum transportation, cessation of such activities or termination of the use of infrastructure, including the implementation of a decommissioning plan, sale or delivery of petroleum to the point of supply or loading as a commodity, in the form of liquefied natural gas or delivered for energy generation or industrial use.
- x) "**Petroleum products**" – are the derivatives and residues of petroleum refining or processing such as: propane, butane and their mixtures, also known as liquefied petroleum gases (LPG), motor gasoline, aviation gasoline (avgas), naphtha, paraffin, aviation oil, diesel, fuel oils, lubricating oils and greases, solvents, bitumen products and any other similar products with other designations and origins which may be used in the same way, including synthesized products and also compressed natural gas (CNG) and other gas fuels exclusively used as fuel with the exclusion of pure biofuels.
- y) "**Production**" – activities to extract petroleum from underground petroleum deposits, including drilling for petroleum production, injection for recovery improvement, treatment including liquefaction, storage and preparation for the loading and transport of petroleum.
- z) "**Reconnaissance**" – geo-scientific and geotechnical activities allowing the preliminary evaluation of the hydrocarbon potential in an area, including acquisition and interpretation of potential data, surface geology, geochemical data, seismic data and limited depth drillings.
- aa) "**Transportation**" – activities related to the transport of crude oil or natural gas through an oil pipeline or gas pipeline system, in bulk by ships or vehicles from the production infrastructure in an oil or natural gas field to the point of exportation or delivery to the buyer.
- bb) **Transparent jurisdiction** – is understood as jurisdictions whereby the Government, in an independent manner, may verify the ownership, management and control, fiscal situation of a foreign legal person who wishes to participate or participates in petroleum operations.