



# OIL & GAS IN AFRICA

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## Hope floats for Mozambique LNG projects

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### DISRUPTED

Violent conflict in Mozambique led to major LNG projects being put on hold indefinitely

**D**espite the complete suspension of the multibillion-dollar liquified natural gas (LNG) projects, in Mozambique's Cabo Delgado province, earlier this year, hopeful indications of a 2022 restart are beginning to surface, says research and consulting firm Africa House market access and development director Roelof van Tonder.

He notes that, while no official pronouncements have been made about the projects' restarting, indications among finance institutions and other stakeholders reveal a sentiment of hope and expectation.

Mozambique Mineral Resources and Energy Minister **Max Tonela** said in a statement issued in September that the advance of the joint forces of Mozambique, Rwanda and the Southern African Development Community in their fight against terrorism in the region had opened new perspectives on the return of the consortium led by Total.

"One of the conditions established for the project's resumption is the guarantee of security, stability and the population's return to the areas where the project will be implemented," he said, adding that indications were that the project would resume activities next year.

Various LNG projects along the Mozambique coast were gaining momentum before violence erupted in the region, escalating to such a degree that all development had to be halted.

Major oil and gas multinationals, such as Total, Eni and Exxon Mobil, had mobilised billions of dollars to exploit at least 150-trillion cubic feet (tcf) of LNG resources, with total investment expected to reach \$120-billion by 2026, \$150-billion by 2030 and \$200-billion by 2040.

The ongoing violence in the region – caused by insurgent militias with ties to Islamic extremism – forced the largest and most advanced of the projects to declare force majeure in April.

The Total-led Mozambique LNG project is valued at about \$25-billion, comprising of about \$10-billion in equity investment and

\$14.9-billion in debt funding, which is the largest-ever single debt transaction in Africa.

Africa House market access and research director **Duncan Bonnett** tells *Mining Weekly* that the project finance remains fully intact, which means that the project has not been abandoned. Even the export credit insurance remains intact, which is also a good sign that the project is still going to go ahead.

Numerous export credit insurance agencies, including from the US, Korea, Japan, Thailand, the UK and Italy, have contributed a combination of direct and covered debt.

South Africa's Export Credit Insurance Corporation has underwritten \$800-million of the contributed finance to cover South African financiers, thereby ensuring that 50% of that value – about \$400-million, or R6.6-billion – is prescribed for South African procurement.

"We have not seen any pronouncements from any of the export credit insurance agencies about any insurance payouts, indicating that the project is still deemed intact," Van

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Tonder explains.

"The outlook is good because peace is holding. Displaced people are returning to their homes, and we are now creating conditions for [their] voluntarily returning home and not simply wishing [that they return] home one day," Mozambique Economy and Finance Minister **Adriano Maleiane** said in a statement issued in September.

### The Main Projects

Mozambique LNG is the country's first onshore LNG development. The project includes the development of the Golfinho and Atum fields, located within Offshore Area 1, and the construction of a two-train liquefaction plant with a capacity of 13.1-million tonnes a year.

Area 1 contains more than 60 tcf of gas resources, of which 18 tcf will be developed with the first two trains.

The final investment decision (FID) for the Mozambique LNG project was announced

on June 18, 2019, with the project originally expected to come into production by 2024. Total announced in September that it had delayed the production of LNG in Area 1 to 2026.

Meanwhile, the other similarly sized major project, the Exxon Mobil-led Rovuma LNG project, is delayed indefinitely. The expected FID announcement for the project was already postponed, owing to a combination of severely deflated global oil prices and the economic headwinds resulting from Covid-19. This was even further delayed by the escalating security concerns in Mozambique.

The Rovuma LNG project seeks to exploit Area 4's estimated 85 tcf of LNG in the deep waters of the Rovuma basin.

The value of the FID was expected to be about \$30-billion.

The project will incorporate two LNG trains and associated infrastructure – some of which will be shared with Area 1.

The FID on trains three and four was

originally expected to be announced by about 2024 for an additional \$35-billion, although this will likely be delayed.

### Other Projects

"While the two biggest projects are on hold, there is much other activity happening in terms of LNG in Mozambique," Bonnett says.

The Eni-led Coral South floating LNG project, located about 100 km off the shore of Cabo Delgado, is well under way, and remains on track and within budget to produce LNG from Area 4 by 2022.

The offshore LNG project remains largely unaffected by the violence onshore, Van Tonder says, noting that the output from the project will be a much-needed boost to Mozambique's economy.

The \$9.5-billion project will use a floating plant – the Coral Sul – for liquefying the natural gas and will have a capacity of 3.4-million tons a year. ■

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