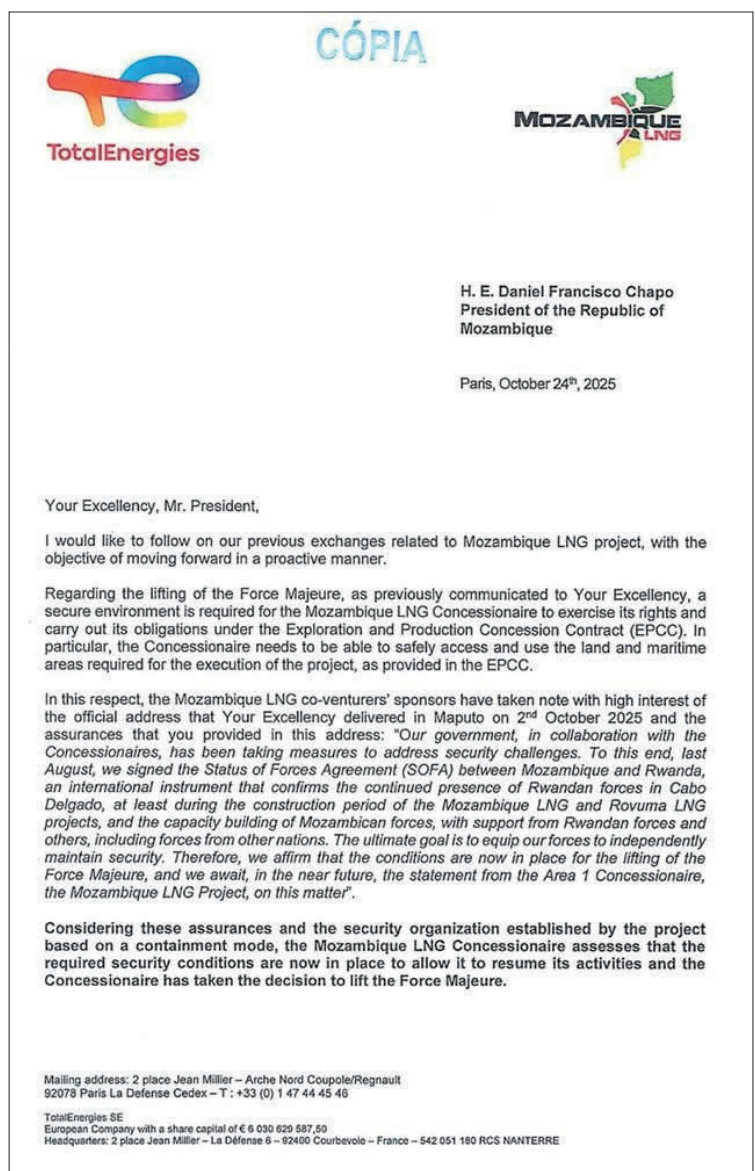


## Mozambique LNG will resume, but with even fewer expected benefits for Mozambicans

- The project is back on track, but with a series of conditions. And, as expected, the Mozambican state must foot the bill. This is, therefore, a testing time for the Mozambican government. Its sovereign mission is to ensure that the country's resources serve its people and not just large foreign capital.

The lifting of the force majeure decree on the Mozambique LNG project was highlighted in all national and international media outlets this week. The long-awaited announcement marks the end of a long period of nearly 4.5 years of postponed expectations and uncertainty about the project's true future.

Belated and under even more unfavorable conditions for the Mozambican state. This is how, in a nutshell, the announced resumption of the project can be characterized. The decision comes with a series of conditionalities that fundamentally reduce and delay the Mozambican state's fair share of the project's benefits.





**Mozambique LNG is currently approximately 40% complete, according to data released by TotalEnergies at its Investor Day on September 29. The company announced that the remaining construction will proceed in “containment mode,” with workers only able to access it by air or sea.**



In a letter sent to the President of the Republic, Daniel Chapo, the Chairman and CEO of TotalEnergies, Patrick Pouyanné, communicated the concessionaire's decision to lift the force majeure imposed since April 2021, stating that "the necessary security conditions are now in place to allow the Concessionaire to resume its activities and lift the force majeure." The letter, dated October 24, 2025, references the executive's security guarantees and the Status of Forces Agreement (SOFA) between Mozambique and Rwanda, signed in August, as the basis for the stability necessary for the recovery.

The document acknowledges that "the prolonged period of suspension of Force Majeure significantly impacted the project schedule" and informs

that the first cargo of liquefied natural gas (LNG), initially scheduled for July 2024, should now only occur in the first half of 2029. The letter also adds that, according to the contract, "the term of development and production of the Golfinho-Atum field will be extended by 4.5 years", corresponding to the time during which the project remained paralyzed (from March 24, 2021 to October 9, 2025).

Finally, Pouyanné "respectfully requests that the Government grant an extension to the development and production deadline for the Golfinho-Atum field for an additional ten years" and confirms that activities will resume in "containment mode," with gradual mobilization of workers and controlled access to operational areas, until safety and logistical conditions are fully assured.

## **An additional \$4.5 billion in project costs and less return for the Mozambican state**

The project, initially budgeted at \$20 billion, may now undergo a revision to incorporate additional costs associated with security, logistics, and the extended downtime. The \$4.5 billion increase in the project's total cost has direct and significant implications for the country's expected gains from the project on two levels.

The first, and most concerning, is that incorporating new costs substantially reduces the potential net tax revenue and future dividends. According to the Area 1 Exploration and Production Concession Contract (CCPP), concessionaires of the Mozambique LNG project are entitled to fully recover exploration costs starting in the first year of production, while investment expenses are amortized at a maximum rate of 25% per year, and operating costs, including contributions to the Demobilization Fund, are fully deductible. The contract also establishes an annual limit of 65% of the available oil for the recovery of these costs, allowing the surplus to be carried forward to subsequent years until full recovery. In practice, this mechanism, while common in the oil industry, is particularly permissive in the Mozambican context and reinforces the time lag

between the start of production and the actual tax benefit of the project.

Second, this increase represents a direct increase in the financial liabilities of the National Hydrocarbons Company (ENH), which holds a 15% stake in the project. To maintain its share, ENH will need to mobilize additional resources amid severe budgetary constraints, which could lead the government to once again resort to loans secured by future gas revenues. This practice, already used in previous projects, increases the state's exposure to debt risks and anticipates fiscal pressures at a time when actual LNG revenues remain elusive.

According to information circulated in the media<sup>1</sup>, the National Petroleum Institute is preparing its own estimate of the additional costs of the Mozambique LNG project, but has not yet announced when this calculation will be completed. Despite this technical exercise, it is widely recognized that the asymmetries in negotiating power between the State and TotalEnergies tend to influence the outcome of the process. Therefore, TotalEnergies' assessment is very likely to prevail, consolidating a reading that strengthens the company's financial

<sup>1</sup> Reuters. (2025, October 26). TotalEnergies tells Mozambique LNG project costs have risen by \$4.5 billion. <https://www.reuters.com/business/energy/totalenergies-tells-mozambique-lng-project-costs-have-risen-by-45-billion-2025-10-26/>

As a final step before fully relaunching the project, the Mozambique LNG Concessionaire looks forward to receiving the approval by the Government of Mozambique of the revised project cost and schedule, as submitted to the Ministry of Energy on 2<sup>nd</sup> of October 2024. This revised budget's approval shall cover the incremental costs incurred by the project due to the Force Majeure, which amount to 4.5 billion dollars, on which the government has conducted an audit for the years 2021 to 2024, the report of which the Concessionaire is expecting to receive as soon as possible.

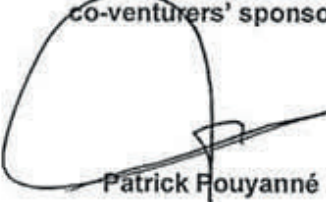
Moreover, the prolonged Force Majeure Suspension Period has significantly impacted the Project schedule. The updated schedule considers that the target date for lifting of the first cargo from Train 1, initially planned in July 2024, is revised to occur by first half 2029 and the completion of the two Trains, initially planned in March 2025 before end 2029. As consequence of the Force Majeure, in application of clause 25.4 of the EPCC, the term of the Golfinho-Atum Development and Production Period shall be extended by 4.5 years (54-month Force Majeure period from 24<sup>th</sup> March 2021 to 9<sup>th</sup> October 2025).

However, in order to compensate partially the economic impact of the extended Force Majeure on the Project economics, the Concessionaire respectfully requires the Government to grant an extension of the term of the Golfinho-Atum Development and Production Period under the EPCC by a duration of 10 years, without prejudice to clause 25.4 of the EPCC. As a counterpart to such license extension, as discussed with His Excellency the Minister of Energy, the Concessionaire would agree that the terms of the ENH Funding Agreement, executed on 21<sup>st</sup> October 2016, shall be amended to allow Empresa Nacional de Hidrocarbonetos E.P. ("ENH"), to reimburse the development costs funded under the ENH Additional Funding Agreement before the repayment of amounts under the EPCC Carry, thereby optimizing its financial obligations.

I remain fully available to discuss this with your Excellency as required.

Yours respectfully,

In the name of the Mozambique LNG  
co-venturers' sponsors,



Patrick Fouyanné



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position and reduces the State's room to challenge or renegotiate the amounts added to the project's capital.

Furthermore, as it is very likely that the cost increase will occur without any review of the project's

benefits to the country, in terms of local content, employment, and social investment, especially since there is no mention of this in the letter, the risks of the investment resulting in a sterilizing project for national development are aggravated.

## Pouyanné also wants another 10 years in Area 1

In the letter sent to President Daniel Chapo, Patrick Pouyanné goes further, requesting a ten-year extension of the development and production period for the Golfinho-Atum field. "To partially offset the economic impact of the prolonged period of force majeure, the concessionaire respectfully requests the Government to grant an extension of the development and production period for the Golfinho-Atum field...for an additional ten years," the document reads.

Although formulated in diplomatic terms, the request represents yet another strategy to maximize the multinational's profits at the expense of the Mozambican state's gains from gas exploration in the Rovuma Basin. In practice, the request amounts to freezing the structure of benefits and charges for another decade, in a completely different context. It is important to remember that it is already a stylized fact that the Rovuma Basin contracts were poorly negotiated and were significantly biased in favor of the multinationals' interests.

Under the CCPP, the development and production period defines the interval during which the concessionaire holds exclusive extraction and commercialization rights, which means that an extension of this nature will postpone the reversion of assets and the possibility of reviewing the contractual conditions of the project for a decade.

In addition to benefiting from cost recovery clauses, which already guarantee full reimbursement of investments and financial charges before sharing the "profit oil," the concessionaires would have an additional ten years to explore and obtain profits under the same tax and contractual framework. For the Mozambican state, however, the impact would

be adverse: the extension would postpone the onset of substantial revenues, maintain an unfavorable legal framework unchanged, and limit the ability to renegotiate more equitable conditions in a global scenario of rapid change in the energy sector.

In exchange for a ten-year extension<sup>2</sup>, TotalEnergies undertakes to "adjust the ENH financing agreement" in order to make the repayment of amounts due "more balanced and sustainable".

ENH, which holds a 15% stake in Area 1, did not directly finance its share, but was financed by the consortium partners under a carry arrangement. This means that ENH has a significant debt to the concessionaires, to be repaid with future project revenues. With the increase in costs (an additional US\$4.5 billion) and the postponement of production until 2029, ENH's financial position is deteriorating, and TotalEnergies is now proposing to renegotiate the payment terms, possibly extending the terms or deferring amortization until the start of commercial production.

In practical terms, the multinational offers temporary financial relief to ENH, but conditions this gesture on the acceptance of a ten-year contract extension. Under these terms, the state gains time and reduces pressure on its public company, but loses autonomy and bargaining power over the contract's duration and terms.

Pouyanné's proposal, disguised as "compensation for the economic impact of Force Majeure," represents a strategic move to capture contractual advantage, guaranteeing TotalEnergies and its partners more time, more profits, and less political risk, while Mozambique forgoes part of the expected gains and faces a delay in enjoying its wealth of natural resources.

<sup>2</sup> Initially, the term of the development contract would be extended by 4.5 years, corresponding to the period in which the project was halted (March 2021 to October 2025).

## Resumption in “containment mode” and consolidation of the enclave

Mozambique LNG is currently approximately 40% complete, according to data released by TotalEnergies at its Investor Day on September 29. The company announced that the remaining construction will proceed in “containment mode,” with workers only able to access it by air or sea.

Among other things, this model confirms the consolidation of an enclave model in Afungi, in the Palma district. The decision, presented by TotalEnergies as a necessary security measure, in practice translates into a return to the logic of physical and social isolation that has characterized gas mega-projects in the Rovuma Basin since their inception.

Under the guise of security, the enclave becomes an economically active but socially sealed-off space. This structure reinforces the duality between productive territory and social territory, where the former is protected, militarized, and equipped with high-level infrastructure, while the latter (the neighboring villages) remains marked by poverty, displacement, and a lack of basic services. While it may not seem that way, this practice, which has been repeated since the beginning of the insurgency, reinforces the perception that Cabo Delgado’s reconstruction is being driven from the outside in, guided exclusively by the goal of maximizing concessionaire profits.

### A test of the new leadership and our sovereignty

Despite the announcement of the lifting of the force majeure, the immediate future of Mozambique LNG remains uncertain. Effective resumption still depends on the Council of Ministers’ approval of the new budget and development plan submitted by TotalEnergies. These documents will define not only the final costs and construction schedule, but also the state’s level of commitment to an operating model that, to date, has disproportionately favored concessionaires.

This is, therefore, a testing time for the Government of Mozambique. It is its responsibility to ensure that the review of the plans is not merely an administrative formality, but rather reflects a sovereign and firm stance in defending national interests. Approval should not be taken lightly, nor dictated by external pressure, but rather preceded by a rigorous assessment of the fiscal, contractual, and development implications.

The government must act with the conviction that defending national interests is non-negotiable. The country cannot repeat the mistake of accepting terms that consolidate dependencies and delay the benefits of natural resource exploitation. Recovery will only make sense if accompanied by a strategic repositioning of the state, ensuring better sharing of gains and a genuine commitment to local development. Now is the time to change course and prove that Mozambique’s resources can finally serve its people, not just its investors.



***Construindo uma sociedade democrática que promove, protege e respeita os Direitos Humanos.***


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