

MOZAMBIQUE'S NATURAL GAS AND POTENTIAL OIL DEPOSITS

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SLIDE 6: EXPLORATION HISTORY

This slide summarizes the exploration carried out by different oil companies in Mozambique.

Although some exploration took place in early 19's, most of the activity was implemented during the period from 1948 to 1974.

After the independence of Mozambique in 1975 and following the establishment of a new legal framework in the petroleum sector several oil companies became interested in exploring in Mozambique and new contracts were signed in early 1980's. Unfortunately, with the oil price decline in late 1980's the interest of most of the oil companies in frontier areas has declined.

However, we believe that with the recent increase in the crude oil prices the companies realize that most of the oil and other energy resources will come in the future from countries until now considered as frontier areas. Many of such countries, including Mozambique, are in Africa.

SLIDE 7: EXPLORATION DATABASE

These slide shows the level of the exploration carried out in Mozambique. Out of the 81 wells drilled in Mozambique only 46 were for exploration (wildcats).

The appraisal wells were drilled to evaluate the gas discoveries and 12 wells were drilled to entering in 2004 the Temane gas reservoir in production.

From the low well coverage for exploration of the sedimentary basins we can state that Mozambique is still an “unexplored frontier area”

SLIDE 8: CONCESSIONS AND OPEN ACREAGES

Five Concessions are under contract with the Following companies in Mozambique basin:

- Exploration and Concession Contract with DNO for the Inhaminga Block
- Exploration and Concession Contract with the consortium Petronas/ENH for the Zambeze Delta Block
- Production Sharing Agreement for the Pande/Temane area with the consortium Sasol/ENH
- Exploration and production Concession Contract for the 16 and 19 blocks with the consortium Sasol/ENH
- Petroleum Production Agreement for the development of the Pande/Temane gas reservoirs

Open areas

- 5 areas are open for Concession of exploration acreage under a bidding round for the **Rovuma Basin**
- 25 offshore blocks and other onshore areas in **Mozambique Basin** available for negotiations

In 2006 an exploration well will be drilled by Petronas in the Zambezi Block

In 2007 further exploration and appraisal wells will be drilled in the Sasol/ENH concessions (PSA Pande/Temane and Concession Contract for blocks 16&19)

SLIDE 9: NATURAL GAS

The first Natural Gas discovery in Mozambique was made by Gulf in the sixties in Pande followed by Temane and Buzi fields.

Several studies were made, first by Gulf and Amoco, and later by the State after the independence of Mozambique, to identify markets for the natural gas or for products that could be produced by it (ammonia, methanol, etc.).

SLIDE 10 – NATURAL GAS VENTURE

It was only in year 2000 that final agreements were signed between the Government of Mozambique and Sasol for the implementation of the largest natural gas project in Southern Africa.

Sasol has largest Chemical Complex in world for the production of synthetic fuels from coal in Secunda, South Africa.

This company has decided to replace the use of coal with natural in some of its units. They also decided to expand the use of natural gas within South Africa.

It was their commitment to purchase 120 million GJ of natural gas per year, through a take-or pay contract, that turned this 1 billion USD project viable and bankable.

The project comprised:

- The drilling of 12 production wells and the construction of a Central Processing Facility, under a concession contract awarded Sasol in association with the national oil company of Mozambique.
- The construction of a 26" pipeline between the fields (in Mozambique) and Secunda (in South Africa). The gas pipeline, with a total length of 865 km (out of which 531 km in Mozambique and 334 km in South Africa) is owned by a Company established for that purpose.
- The conversion in some industries in South Africa to switch from coal to natural gas.

The construction started in 2002

The regular supplies of natural gas started in 2004

From this year the natural gas started to be distributed in the industrial area of Maputo, the capital of Mozambique. A spur gas pipeline (70km) was constructed by other private Company.

SLIDE 11: NATURAL GAS VENTURE – PRESENTE STATUS

- Increase in the proven recoverable gas reserves (from **2.6 TCF** in 2002 to **3.7 TCF** in 2005) following and the development of the Pande and Temane Fields and the exploration in new areas.

(The implementation of the project, in particular the construction of the gas pipeline to transport the natural gas to the market, motivated the investment in the exploration for gas. The are areas in the vicinity of the existing discoveries with high potential for the occurrence of natural gas)

- Increased demand for natural gas in South Africa.

(The increase of the world crude oil prices and the environmental impact that can cause an expanded consumption of low cost coal in South Africa is motivating several potential consumers to look for natural gas)

- Foreign investors interested in implementing new projects in Mozambique based on natural gas (iron reduction, fertilizers, electricity, etc.). The supply of gas to the domestic market is expected to be extended to the areas in the vicinity of the pipeline.
- The expansion of the capacity of the current facilities is now under consideration.

(Less than two years after the completion of its construction)

- Natural Gas will play a key role in the energy market in Southern Africa

SLIDE 12: OIL POTENTIAL IN MOZAMBIQUE

Geological and Geophysical studies indicate that an active petroleum system is present both in the Rovuma and Mozambique delta.

These studies reported also the existence of good reservoir rocks and trapping mechanisms in both deltas.

In 2006 the Potential Oil accumulation in the Zambezi delta will be tested by Petronas and partners

For the Rovuma delta and vicinity we are seeking for investors through the licensing round launched in July the 15:

SLIDE 13 – LEGAL FRAMEWORK

SLIDES 14-15

This slide show the key components of the legal framework in respect to petroleum operations in Mozambique, based on the Law 3/2001 which replaced the first petroleum law in Mozambique enacted in 1981.

A Model Exploration and Production Concession Contract is now available. It was prepared on the basis of the previous signed contracts and the Petroleum Regulations approved in 2004. It incorporates special fiscal incentives granted by the Government to the Petroleum Regulations.

The key Mozambican institutions in the Petroleum Sector (exploration, production and transport of petroleum, but excluding the refining of crude oil and the distribution and marketing of petroleum products and natural gas) are:

INP (“Institute of National Petroleum”)

Is the regulatory authority for the petroleum operations (exploration, production and transport of hydrocarbons).