



Natural Gas Treasure in Mozambique: Indian Interface

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Mozambique emerges as a resource-rich country in the Sub-Saharan Africa (SSA), and locates itself in the new frontier of the global hydrocarbon map, with its recent natural gas discovery. Natural gas is the most preferred fuel due to its inherent environmentally benign nature, greater efficiency and cost effectiveness. The growing need for energy resources, therefore, drives India's 'foreign-economic' policy towards increase in the overseas acquisition of natural gas and consequently impels India to consolidate its existing partnership with Mozambique.

Mozambique launched its first round of offshore licensing in the gas sector in 2000 and in 2012 it accounted for 40 per cent of global gas discoveries, currently estimated at around 300 trillion cubic feet. Mozambique is planning to begin its natural gas production in 2018 and it is going to emerge as the world's third largest exporter of Liquefied Natural Gas (LNG) after Qatar and Australia. While many international oil companies are operating in its gas industry, the main operators are American Anadarko Petroleum Corporation, Italian ENI and South African SASOL.

World Bank's Executive Director John Whitehead led a nine member delegation to Mozambique in February 2013, and noted that recent major discoveries of mineral resources have placed the country at a turning point in its economic growth. The International Monetary Fund in its *World Economic Outlook*, April 2013, projected 8.4 per cent GDP growth rate for

Mozambique for 2013, a projection that appears to be the highest among all the SSA countries.

The National Hydrocarbon Company (ENH), national oil company of Mozambique, hosted a Gas Summit on “Unleashing Mozambique’s Vast Gas Potential” in capital Maputo in March 2013, which had participation of over 600 delegates across the world. The Summit was organised in partnership with the London-based CWC group and was endorsed by the Mozambican Ministry of Mineral Resources. Addressing the Summit, Mozambique's Deputy Minister of Mineral Resources Abdul Razak Noor Mohamed expressed caution about giving out large exploration concessions and stated, “Now the international trend is smaller and smaller blocks, not big blocks.” Mozambique has so far awarded areas of up to 24,000 square kilometres.

Further, Carlos Zakarias, Exploration Manager, National Petroleum Institute (INP) of Mozambique declared in the Summit that the next round of bidding process for new concessions in the gas fields would be announced in the second half of 2013. INP’s Chairman Arsenio Mabote stated that parts of Rovuma in the northern offshore area as well as the Zambezi delta in central Mozambique could be part of this bidding round. He said, “There is an evaluation being done but we have all the options open.” Zakarias noted, “I think we have thousands of wells in Rovuma...we still have virgin, frontier territory so a lot can be expected.” He added that vast areas to the south and east of the basin on the border with the Comoros had not yet been licensed.

The Mozambican government announced its Master Plan on Natural Gas in December 2012. This envisages taking advantage of its massive gas reserves, develop domestic industries, export LNG and boost government revenue by US\$ 6-8 billion annually. Petrochemical companies from South Africa, Germany, Japan, South Korea and India, among others, have expressed interests in setting up gas-to-liquids, methanol and fertilizer plants. They are also interested in processing gas for power generation and production of steel and aluminium.

Maputo’s stated strategy for its hydrocarbon production partnership is based on competitive bidding by overseas partners. It proclaims that its special focus is on technical capability, financial standing, and Help, Safety and Environment (HSE) policy of these commercial bidders. Though Maputo does not have any specific support for the Asian participants, it does realise that emerging Asian markets have the capacity to optimise the production potential of its hydrocarbon industry. In July 2012, Mozambican Minister of Mineral

Resources Esperança Bias stated that Asia would be a major destination of natural gas discovered in Mozambique as Asia offers better price of US\$ 13 per kilojoules compared to US\$ 8 in Europe.

Indian oil and gas companies, both public and private, have been engaged in the upstream sector of the Mozambican natural gas industry. The Bharat Petro Resources Limited (BPRL), a subsidiary of the Bharat Petroleum Corporation Limited (BPCL) and Videocon Industries own participating interests of 10 per cent each in the Rovuma block. These companies have undertaken four natural gas discoveries in that block where Anadarko has 36.5 per cent stake. Chairman of Videocon Venugopal Dhoot announced that the company plans to export its quota of gas in Mozambique to India.

Significantly, GAIL India, Oil India Limited (OIL) and ONGC Videsh Limited (OVL), the overseas arm of Oil and Natural Gas Corporation, have shown interests to enter Mozambican natural gas industry. Nevertheless, there is a perception in Maputo that OVL did not invest at the initial exploration stage, perhaps because of its risk averse approach.

It will be useful to mention that the Mozambican Deputy Minister of Mineral Resources Abdul Razak Noor Mohamed visited India in October 2012 and attended a seminar on “Energy Access Conference” organised by the Ministry of New and Renewable Energy. There is an increasing linkage between India and Mozambique on energy sector, but there is scope for reinvigorating Indian business ventures in Mozambique’s emerging gas sector, which can be an entry point for further expansion of India-Africa natural gas partnerships.

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