

Too Late to Count: a financial analysis of Mozambique's gas sector



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Summary

Mozambique's enormous gas reserves were meant to transform the country and generate billions of dollars annually. But 15 years later the project is set to fall significantly short of expectations

The multiple delays, the crash of oil and gas prices due to the COVID-19 outbreak together with tax optimisation techniques used by multinationals companies threaten the total government revenue of Mozambique's gas projects and further development stages beyond Phase 1.

In June 2018, the Instituto Nacional de Petroleo (INP) - the sector's regulatory authority- projected the country's share of revenues from both projects Area 1 (Golfinho) and Area 4 (Coral) to reach US\$49.4 bn over the life of the projects, with revenues increasing significantly after 2033. Open Oil analysis, based on a financial model following a similar methodology estimates both projects will generate only about 40% of that – about US\$18 billion - and 70% of that will only come after 2040.

The financial model examined all publicly available data and disclosures related to Mozambique gas projects Area 1 (Golfinho) and Area 4 (Coral). The main conclusions in the base scenario are:

- **Much Lower Revenues than expected:** Base scenario shows \$18.4 billion in revenues from both commissioned projects, a fraction of INP's \$49 billion projection in 2018, and much less than the promised \$50 billion Total projected for Mozambique LNG alone with a fully developed project. Under all scenarios available, payments are very back loaded so that the present-day value of those \$18.4 billion is only \$3.4 billion in today's money at a 10% discount rate. In other words, if the government were even able to collateralise all its future earnings it would not even cover a quarter of current incurred public debt. In Area 4, the government never earns any corporate income tax under the baseline scenario, with revenues being based royalties and profit petroleum.
- **Billions Lost through tax structures in Dubai:** We estimate \$5.3 billion net loss revenues lost by effective exemption from dividends withholding tax (DWT) and interest withholding tax (IWT) through corporate vehicles set up in Dubai. By exploiting the double taxation agreement Mozambique signed with the United Arab Emirates in 2003 , the extractive companies will not pay any withholding tax on dividends and interests, compared to 20% they would have paid under the Mozambique fiscal regime. Some of these entities have state officials as signatories.

- **The ENH stake is virtually worthless and could be a liability:** ENH -the state oil and gas company- with 10% and 15% stake in Area 4 and Area 1 respectively, stand to earn \$1.1 billion over the life of both commissioned projects (base scenario). But this is worth only a fraction of that in today's money since net revenues are also extremely back loaded, so after the company has paid back loans of \$16 billion it needs to finance its stake. It is only worth \$140 million in NPV10. And there are scenarios in which ENH never earns net revenues out of these projects - if interest rates are higher, for example, or gas prices go lower, or there are significant further execution delays. . And this is not considering its current debts.
- **Most of Mozambique's gas is already potentially stranded:** The commissioned projects only produce 16% percent of the country's estimated 125 trillion cubic feet resources under Phase 1. The model assumes these projects are going ahead because FIDs have been taken and the engineering is happening. But the project economics are very marginal in terms of historical targets for the industry: we estimate a rate of return of only 7.53% under base scenario for Golfinho in Area 1 and 7.98% Coral in Area 4.

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Context

In 2010 and after four years of exploration, United States company Anadarko made a major gas discoveryⁱ in the Rovuma Basin, in Mozambique, fuelling the dreams of economic transformation and growth for the east African nation. When, a year laterⁱⁱ the Italian oil company ENI confirmed another massive gas field, Mozambique was en route to joining the gas exporter league.

However, the development of the fields was not as expected, even considering the normal long periods needed for such gas fields. In 2016, as the country faced the biggest economic crisis since the end of a civil war in 1992, a secretive \$2 billion debt in loans came to light, triggering the cut off of foreign donors support, the collapse of its currency and a default on its sovereign debtⁱⁱⁱ.

Mozambique - and its creditors - aimed to rely on huge gas revenues that were supposed to start flowing by 2016^{iv}. At the same time as the country's economy collapsed, insurgency violence hit the Cabo Delgado region in 2017- home to the two large natural gas areas- threatening the project's stability.

As of early 2021, violence from the insurgency keeps growing. Total, operator of Area 1, evacuated some of its staff in response to the Islamist militants attacks close to the site^v.

The COVID-19 outbreak caused international oil and gas prices to collapse, delaying development further. In terms of foreign direct investment, Mozambique LNG Project (Total) is worth \$20bn, Coral FLNG Project (ENI and ExxonMobil) is worth \$4.7bn, and Rovuma LNG Project (ExxonMobil, ENI and CNPC) is worth \$30bn. The Final Investment Decision for this last field has been postponed indefinitely.

Model Assumptions

Scope of the Mozambique Gas Model

This report focuses on the nascent gas sector in Mozambique, the model contemplates two concessioned areas in the Rovuma Basin, Area 1 and Area 4, but only models those gas reserves for which a Final Investment Decision (FID) has been declared: Golfinho/Atum in Area 1 and Coral FLNG in Area 4.

Exploration and Production concession contract was signed in 2006 with Anadarko for Area 1 (now led by Total) and the Final Investment Decision for Golfinho/Atum took place in 2019. In the case of Area 4, the concession was signed with Italian giant ENI back in 2007, the Final Investment Decision for Coral Floating Liquefied Gas project took place in 2017.

While there are other finds in Area 1 (Prosperidade) and in Area 4 (Mamba/Rovuma), these fields were left aside from the analysis due to the constant delays from the companies in declaring an FID as a response to the Covid outbreak. This creates uncertainty around those fields going ahead.

Ownership structures

Both projects are currently owned by consortia. Golfinho/Atum project, belonging to Area 1, was initially owned by the US-based company Anadarko, which later sold part of its participatory interests. After FID in 2018, the remaining Anadarko share was bought by the French major Total.

AREA 1 OWNERSHIP STRUCTURE	
Total	26.50%
ENH	15.00%
Mitsu	20.00%
ONGC Videsh Ltd	10.00%
Beas Mozambique Rovuma Energy Ltd	10.00%
BPRL Ventures Mozambique BV	10.00%
PTT Mozambique Area 1 with	8.50%

In the case of Area 4, the Coral FLNG is owned by Mozambique Rovuma Venture (MRV) SpA which is a Joint Venture jointly owned by Eni, ExxonMobil and CNODC.

Both conglomerates in the Rovuma basin have set up Special Purpose Vehicle (SPV) entities in Dubai. ENI argues it allows it to access third-party financing^{vi}, but regardless of the purpose of such SPVs, this will allow the Consortium to benefit from the 0% rate in the UAE on withholding taxes both on dividends and interest, compared to the 20% they would otherwise have to pay in Mozambique. The impact of this is analysed below.

AREA 4 OWNERSHIP STRUCTURE	
MRV	70.00%
ENH	10.00%
Galp Energia Rovuma BV	10.00%
KOGAS Mozambique Ltd.	10.00%

In the case of Area 1, its subsidiary in Dubai, Moz LNG1 Holding Company Ltd, is also known to own Mozambique LNG1 Company PTE. LTD. Singapore^{vii}.

As of July 2020, the Singapore entity was directed by representatives of all companies of the Consortium, notably from the side of the government Benjamin Jose de Samussone Chilenge (Vicepresident ENH)^{viii}, Acacio Zacarias Langa^{ix} (ENH Commercial Director) and Amad Valy Mamad (Executive Director ENH)^x.

Production, development phases and timing

For both Golfinho and Coral, the capacity modelled was limited to Phase 1, which means only the initial envisioned 12.9 MTPA in Area 1 and 3.4 MTPA as total capacity for Coral FLNG. In the event companies decide to add higher processing capacity, this would also reflect higher costs and would require favourable market conditions. Domestic use was not modelled.

The base production scenario ("8% decline rate") assumes the period for which the current EPA is valid for: 30 years from approval of the Development Plan. An alternative scenario ("INP estimate") models a two year longer production profile, with a slower decline rate.

Golfinho/Atum (Area 1)	
FID	2019 ^{xi}
First Gas	2025 ^{xii}
End of Production	2048
Extension Period	7 years ^{xiii}
Reserves	65 tcf
LNG Capacity	12.90 MTPA ^{xiv}

Coral FLNG (Area 4)	
FID	2017 ^{xv}
First Gas	2023 ^{xvi}
End of Production	2048
Extension Period	5 years
Reserves	16 tcf
LNG Capacity	3.40 MTPA ^{xvii}

Capital and Operating Costs

The estimation for exploration, development and operational costs were taken from public domain, on a wide range of sources: either from previous models, from the consortium own documents,

Coral FLNG (Area 4)	
Exploration Costs	\$3.0 billion
Development Costs	\$8.7 billion
Operating Costs	Either industry norm (2.5% of capex) or analog project 2.07 \$/ mmbtu. Of which variable costs 38%, fixed costs 62%

Golfinho Atum (Area 1)	
Exploration Costs	\$4.9 billion
Development Costs	\$21.4 billion
Operating Costs	Either industry norm (2.5% of capex) or analog project 1.55 \$/ mmbtu. Of which variable costs 38%, fixed costs 62%

government disclosures or from analogue projects. The operating costs, however, have been further adjusted to reflect higher costs as presented by INP.

Gas price benchmark

Mozambique is targeting its gas sale in the Asian market, the most expensive of the three spot gas markets, well ahead of prices in the European and American market. However, the Asian spot price was also hit by the Covid-19 outbreak reaching a record low \$2 per mmBTU in May 2020.^{xviii}

However, by January 2021, a mix of colder winter than expected and shortage of supply, resulted in prices jumping to over \$25 per mmBTU on some spot cargoes. The average LNG price for February into Asia LNG is estimated to be around \$21.45 per (mmBtu), according to S&P Global Platts. The situation is unlikely to hold for an extended period of time.^{xix}

Given the volatility of the global gas price and the secrecy surrounding the gas sale agreements, there is no guarantee how price will be defined and this will be key to the survival of the project.

Open Oil has made available five price scenarios to analyse the economic viability of Mozambique gas projects.

1. **INP Downside Scenario:** In the official presentation from Mozambique's Instituto Nacional De Petróleo (INP) named "Projected government revenues from gas projects", the government set three price scenarios: base, upside and downside. By the time the model was constructed (mid 2020) the downside scenario was the closest one to market conditions. **This is the base price scenario for our analysis** and the basis for most conclusions. Price is the most significant factor in lower earnings and continued uncertainty over the project moving ahead.
2. **Oil Indexed:** Mozambique is set to export predominantly to the Asian market, where oil-indexed contracts remain the norm^{xxi}. The model uses a constant oil price -which can be modified from the Dashboard- and provides a gas to oil correlation value according to each Area. This has been extrapolated from a presentation from Mozambique's Instituto Nacional De Petróleo (INP) in 2018.^{xxii}
3. **Oxfam 2020:** During Summer 2020, Oxfam published an analysis on Coral FLNG. This model uses as one of the price scenarios (downside), Oxfam price estimation^{xxiii}.
4. **Energy Transition 2019:** Uses the estimation by the International Monetary Fund on the impact of Energy transition on Oil prices before the Covid outbreak. Open Oil reckons there has been an updated version to reflect covid effects, however the

2019 version is more close to reality at the time this report is written. The model applies the same gas to oil correlation value provided by Mozambique's Instituto Nacional De Petróleo (INP).

5. **Gas constant price:** The user has the possibility to choose a constant price scenario for gas which will be escalated by inflations over the years. This can help analyse the impact on any new price trend.

Financing

Details of financing in Area 1 are assumed taking as a base the project summary note published by the African Development Bank for Mozambique LNG Area 1 in 2019^{xxiv}. "Total project cost is estimated at USD 24.1bn and includes USD 18.6bn in capex, USD 4bn in financing costs and USD 1.2bn as a debt service reserve account." There is less information on Coral side, according to ENI it amounts to \$4.9 billion and is divided in seven credit facilities^{xxv}. The model assumes a 70% leverage ratio for development costs for both projects Golfinho and Coral. The interest is set 3.10% above LIBOR where LIBOR is established at 0.77%

Fiscal regime

The model integrates the fiscal regime described on the PSA agreements currently available in the public domain for Area 1^{xxvi} and Area 4.^{xxvii} There are subtle differences between both Areas. Below the most important aspects incorporated in the model:

FISCAL REGIME			
Revenue Stream	Description	Area 1	Area 4
Fees and Charges	Institutional support	\$2m pa	\$1m pa
	Social support programs for citizens	\$1m pa	\$1m pa
	Training fee yearly -Exploration	\$1m pa	\$0.2m pa
	Training fee yearly -Development and Production	\$1m pa	\$0.3m pa
Production Bonuses	Beginning of commercial production	\$5m	\$1m
	Area production first reaches 20 000 BOE daily	\$10m	\$5m
	Area production first reaches 50 000 BOE daily	\$20m	\$5m
Royalties	Offshore Production Tax	2.00%	2.00%
State Participation	ENH Share	15.00%	10.00%
Production Sharing	Profit Petroleum R Factor formula	10%-60%	15%-55%
Cost Recovery	Cost recovery limit (of disposable petroleum)	65.00%	75.00%
	Development & production recoverable	25.00%	25.00%
	Exploration costs recoverable (same year)	100.00%	100.00%
	Operating costs recoverable (same year)	100.00%	100.00%
	Depreciation for Farm in transaction	10.00%	10.00%

Corporate Income Tax	Reduced Tax Rate Period	8 years	8 years
	Corporate Income Tax Rate	32.00%	32.00%
	Reduced Corporate Income Tax Rate	24.00%	24.00%
Withholding Taxes	Interest and Dividends (Mozambique)	20.00%	20.00%
	Interest and Dividends (UAE)	-	-

Model Conclusions

Given Mozambique's current public debt and the hopes that lie in the gas projects to transform the country, the current model focuses on understanding what are the direct economic benefits arising from fiscal tools and ENH participating interest, the potential repayment of the national debt and the role of ENH with its participating interest.

There are the leading conclusions, based on a base price scenario (INP downside scenario) 2018, which uses a starting price of \$5-\$6/ mmbtu.

- 1) Projected revenues for the government will be much lower than expected. The model's base scenario would provide the country with only \$18.4 billion, not the \$49 billion expected by INP in 2018. In NPV10 terms (adjusting the project to risks) this represents only \$3.4 billion.
- 2) As 66% of that will only come after 2040, for the first twenty years the government will get only \$7.04 billion (undiscounted) from both projects combined.
- 3) The current base scenario wouldn't yield a positive NPV10 for the contractors for any of both projects, a critical measure companies use to decide whether to invest on a project or not. Area 1 would require a breakeven price of \$6.3 Mmbtu to reach a positive NPV10 while Area 4 would need \$6.7 per Mmbtu.
- 4) Under the current base scenario, Area 4 yields no CIT in life of the project.
- 5) If both Consortiums benefit from Mozambique's double taxation agreement with the United Arab Emirates, Mozambique would be losing out on up to an estimated US\$5.3 billion over the life of both projects.
- 6) ENH, the State gas firm, is set to receive just over US\$1.1 billion during the life of both projects under base scenario, and \$5.9 billion using the assumption of \$8/Mmbtu with sustained increase. It would make a loss under an Energy Transition scenario.

Lower than expected revenues

When revenue expectations were high, in 2018, the INP released to investors the results of its own internal model, concluding the government could earn \$50 billion from both projects under a base scenario and up to \$63 billion under an upside scenario. These conclusions were based on a scenario where oil prices were above \$66 for 2021 and would continue growing.

Total projected only its project (fully developed) would generate the government a \$50 billion in revenues over the life of the project^{xxviii}.

But the decline in oil prices as a product of the Covid outbreak and the prospect of a peak in oil demand closer than expected^{xxix} have changed the plans. If the sale prices were oil-linked as the INP study from

2018 shows^{xxx} the current market environment is going to have an effect on the viability of the project.

Given gas sale agreements are not in the public domain,

despite its importance for the country's future, the model assumes an INP downside assumption. Under this scenario the government will reach \$18.4 billion revenue but 70% of it will only come until the end of 2030 and the beginning of 2040.

A 30% sustained increase of price over the life of the project could double revenue for the government. The current scenario for January - March 2021 could suggest prices are going to soar, but according to market specialists this situation is unlikely to hold for an extended period of time^{xxxi}.

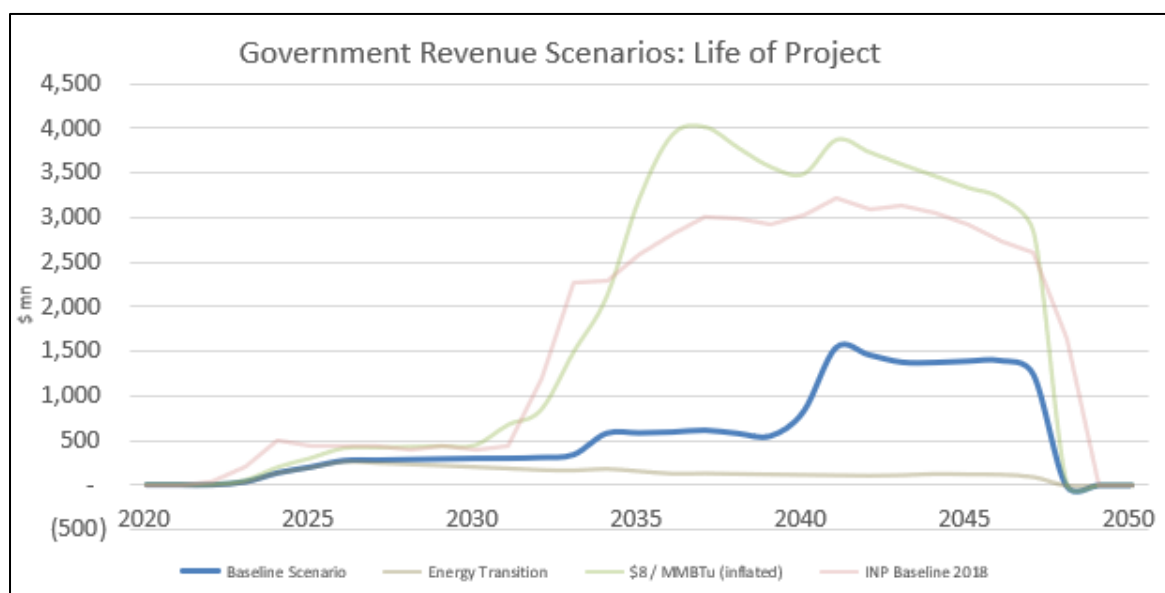
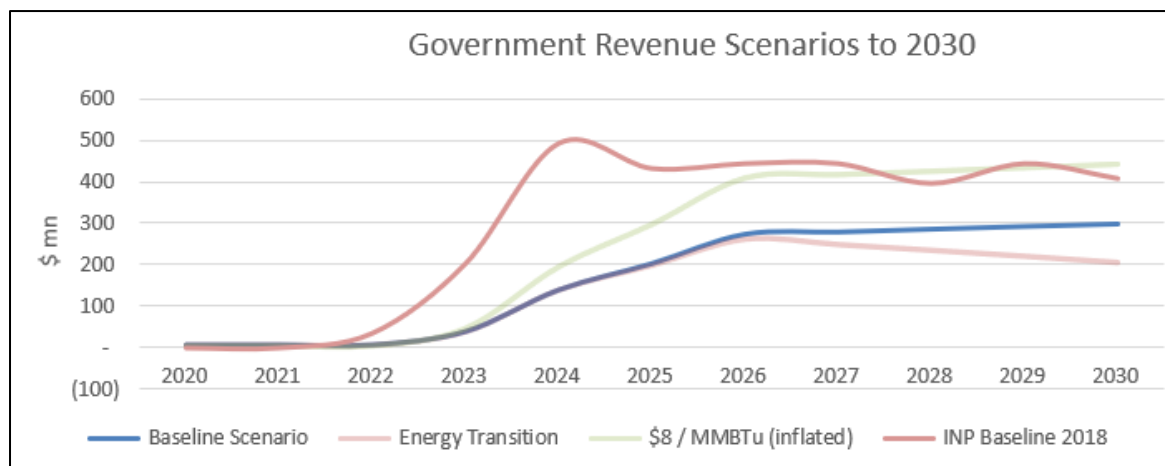
Most of the country's benefits will come from Profit Petroleum, the graphics below shows how late the resources are going to reach the government's coffers, mostly after 2040.

FISCAL REGIME AREA 1: DECADE BY DECADE			
Government revenues	2020s	2030s	2040s
Profit expected	1,124	4,489	10,194
Share of profits	7.11%	28.40%	64.49%
Fees, Charges and Bonuses	93	40	32
Petroleum Production Tax	380	1,392	1,173
Profit petroleum - Government	651	2,351	3,189
Withholding Tax Interest and Dividends	-	-	-
Corporate Income Tax	-	-	4,670
SOC Cash Flow post-carry	-	706	1,129

FISCAL REGIME AREA 4: DECADE BY DECADE			
Government revenues	2020s	2030s	2040s
Profit expected	481	953	1,238
Share of profits	18.00%	35.67%	46.33%
Fees, Charges and Bonuses	48	23	18
Petroleum Production Tax	152	452	588
Profit petroleum - Government	280	478	632
Withholding Tax Interest and Dividends	-	-	-
Corporate Income Tax	-	-	-
SOC Cash Flow post-carry	-	-	-

Previous Estimates are too Optimistic

During the course of 2018-2020 several models were developed on the gas projects in Mozambique. However, none of them is public, except for the 2020 Oxfam model of the Coral field^{xxxii}. The INP has published the results of its model, disclosing key input assumptions and results, but not the model and its workings.



OpenOil's results in its base scenario differ from those of the government's study of 2018 by a large extent: \$18 billion in revenues to the government from the projects combined, compared to INP's \$49 billion in its baseline scenario. More than half this difference, or about \$18 billion, is accounted for different price scenarios. INP's own downside price scenario yields combined results in its report of about \$31 billion. There are other significant other differences in approach, which lead to different outcomes. First, there have been more project delays since the INP study. OpenOil's baseline scenario assumes the original contract period is maintained, and that there are fewer producing years. Secondly, Openoil's base scenario uses a decline rate in production of 8% a year starting in 2039 – anticipating

decreased demand for gas in the 2040s as energy transition progresses, while the INP model projects a decline starting two years later at a slower rate. These two factors account for another \$10 billion in the projections for government revenues. Finally, OpenOil calculates \$3 billion less in revenues from the Coral Project than the government analysis does, when using the same assumptions about price and production. Since the INP model has not been published, it is not possible to analyse the reasons for this, but the detail is discussed below.

While production for each area is estimated in MTPA (million tons per annum), the

COMPARISON OF MODEL RESULTS: AREA 4				
Modeling Scenario	Revenues	Govt	Company	
Open Oil base scenario	32,066	2,672	5,679	
Open Oil using extended production	36,462	4,984	7,749	
INP downside scenario	35,060	7,172	3,959	
Oxfam downside scenario	37,549	5,559	7,911	

price in the market is based on MMBTu (million british thermal units). In order to reach an estimated revenue for the project, a conversion rate is needed. OpenOil has encountered a range of conversion rates of a tonne of LNG from 46 MmbtU (BP) to 53 MmbtU from Eni. Since Eni's is the only rate from a company active in Mozambique the base scenario uses this higher figure. However it should be noted that the difference is material: at the bottom end of the range, gas sales would fall by 11-12%, and government revenues by some 28%.

In the smaller project, Area 4, there are two bases of comparison – the INP study and Oxfam's report from 2020. Oxfam's model follows a similar production profile as INP but differs in its price projection from the INP downside estimation the OpenOil model takes as its baseline. Nevertheless OpenOil and Oxfam are close in their predictions of government revenues. If the Open Oil model adopts Oxfam's pricing scenario it projects \$5.9b for the government and \$8.5 billion for the contractors, compared to Oxfam's \$5.5 billion and \$7.9 billion respectively. INP's own projections of government revenue are higher, and returns for the companies are lower. Since the government's model is not public, it is not possible to further examine this difference, although since the Coral project is significantly smaller than Area 1, these differences are not highly material in the differences of results across the projects combined.

In the case of Area 1, using INP production estimates, the Open Oil model reaches very similar results to INP's. While the regulator estimates \$99.7 billion in gross revenue, \$24.1 billion in government revenue and \$20.8 billion in contractor's revenue, Open Oil estimates \$100 billion in gross revenue, \$22.7 billion in government revenue and \$25.6 billion in contractor's revenue.

Marginal Rates of Return for the Investor

Investors use the net present value (NPV) and internal rate of return as two key indicators for whether a project is worth the investment.

NPV is the value of all future cash flows over the entire life of an investment discounted to the present and is used to understand how much a project is actually worth in today's money. To account for risk the NPV uses a discount rate. The model uses a discount rate of 10% for Mozambique's revenues, a standard industry default rate in projects of this kind.

In the case of Area 1 and Area 4 under the current base scenario, which starts with prices of \$5/ Mmbtu to \$8.5 Mmbtu in 2050, both operating consortiums would yield losses in NPV10 terms.

A positive NPV10 would require a minimum market price for gas of at least \$6.47 for Area 1 and \$6.33 for Area 4. In the event the sale gas agreements were linked to oil prices, as it is assumed in the Asian market^{xxxiii}, this would translate into \$57.98 / bbl for Area 1 and \$56.73 / bbl for Area 4. The oil spot price as for January 2021 is under those figures. It should also be noted that all scenarios in the model assume development of the projects on current time and budget estimates, although megaprojects frequently overrun both.

The graphics below shows of all scenarios, only a price of over \$8/mmbtu in 2021 and with a sustained increase could provide the Consortium with positive NPV10.

The internal rate of return would reach only 7.53% for Golfinho project in Area 1 under the current base scenario and 12.9% with a constant gas price of \$8/ MMbtu. On the other hand, Coral FLNG would reach almost equal values, an 7.9% under base scenario and 12.5% under a constant \$8 /Mmbtu.

The acceptable rate of return on investment is usually at a 10%. No data was found in the public domain about the Consortium's own estimations.

No Contribution to Debt Servicing

Before COVID-19 hit the world in early 2020, Mozambique was already facing a \$14 billion external debt, over 110% of its GDP. By December 2020, Fitch Rating placed Mozambique at a "CCC" which cast doubts on the country's ability to repay.

"We project the general government debt to rise to 120% of GDP in 2020 from 94% of GDP in 2019, due to high financing needs and the metical's depreciation (86% of GG debt is denominated in foreign currency), and then decline to 115% in 2022" said Fitch^{xxxiv}

The country desperately needs revenues to repay its debt^{xxxv}, but the gas projects might not be enough. According to our model, under the base scenario, the total amount received would be reaching \$18.4 billion.

This is the amount roughly necessary to pay the debt today, except this amount translates to US\$3.4 billion in NPV10 terms.

State Participation: ENH stake could be a liability

Empresa Nacional de Hidrocarbonetos, (ENH) is the government gas company and the responsible for executing the state participation interest of 10% and 15% in Area 4 and Area 1 respectively.

This will mean the state would be able to have the same share of benefits, but also to cover the costs of the project in the same proportion. To do so, ENH is assumed to have taken a loan from the Consortium itself.^{xxxvi}

The state company ENH would only receive real net benefits after such carry is repaid fully with interests.

Even before its indebtedness for its participation in Area 1 and Area 4, ENH was already facing liquidity problems^{xxxvii}.

The estimated total revenue over the life of the project is about \$1.05 billion undiscounted and will only receive it well after 2035 under base scenario and \$5.4 billion using \$8 Mmbtu as price scenario. In NPV10 terms, this translates into only \$140 million under the base scenario and \$1.1 billion assuming \$8/MMbtu.

Tax incentives and its impact

There are two tax incentives that could have strong impact in Mozambique's project revenues:

- The Corporate Income Tax (CIT) reduction rate for the first 8 years of production, allowing the companies to pay only 24% tax instead of the expected 32%
- And the double taxation agreement with United Arab Emirates^{xxxviii} allows companies to benefit from a reduced 0% tax on withholding dividends and interests instead of 20% in Mozambique.

Corporate Income Tax

Our interpretation of the Exploration and Production Agreements makes us conclude that the CIT reduction rate applies only for the first 8 years of production, calculated from the first year of commercial production.^{xxxix}

Given the project costs and other factors such as a relatively high-cost recovery limit (60% and 75%), the corporate income tax would only be applicable to Area 1 after year 16, and year 22 in Area 4.

This incentive would therefore have no effect on the general taxation and would not represent a loss of revenue for the country.

UAE double taxation agreement

As explained before, both Consortiums have settled up special purpose vehicles in Dubai, this set up would exempt them from paying withholding taxes on dividends and interest, that would otherwise be at the rate of 20% in Mozambique.

IMPACT OF UAE TAX TREATY (US mn LoP)			
Fiscal Instrument	UAE	No UAE	Diff.
Fees	255	255	-
Royalties	4,138	4,138	-
Profit Split	7,581	7,691	110
DWT	-	4,861	4,861
IWT	-	1,610	1,610
CIT	4,670	3,126	(1,545)
SOC	1,835	2,050	215
Totals	18,479	23,731	5,252

In the baseline scenario, these exemptions reach an estimated net \$ 5.3 billion across both projects, or more than four times the revenues the national gas company will earn over the life of the project. If gas prices increase, the loss could be higher.

The total amount to be paid in withholding taxes is estimated at \$6.4 billion but the net loss is lower because the payment of withholding taxes contributes to the total cost estimation which indirectly decreases the total amount due as a Corporate Income tax. The graphic above shows, if both Consortiums decide to benefit from the DTA with the United Arab Emirates, they would reduce their project costs and would need to pay an extra \$1.5 billion as corporate income tax. If the Consortium follows the Mozambique tax regime the corporate income tax would be substantially reduced, but that loss would be outweighed by the revenue in withholding taxes both in dividends and interests.

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- ⁱ <https://www.worldoil.com/news/2010/10/19/anadarko-makes-deepwater-gas-discovery-off-mozambique>
- ⁱⁱ <https://www.eni.com/en-IT/media/press-release/2011/10/eni-announces-a-giant-gas-discovery-offshore-mozambique.html>
- ⁱⁱⁱ <https://www.reuters.com/article/us-mozambique-debt-creditors-factbox/factbox-mozambique-debt-crisis-what-does-the-country-owe-and-to-whom-idUSKCN1VU1WE>
- ^{iv} <https://www.voanews.com/africa/massive-gas-fields-discovered-mozambique>
- ^v <https://www.bloomberg.com/news/articles/2021-01-01/total-asks-mozambique-staff-to-leave-as-attacks-near-lng-project>
- ^{vi} Question 4 Coral <https://www.eni.com/assets/documents/Questions-and-Answers-before-the-the-Shareholders-Meeting-2019.pdf>
- ^{vii} June 2020 <https://drive.google.com/file/d/1KhSWgzdGwHrShAFXJMbw3ZpgN2E13WDz/view?usp=sharing>
- ^{viii} <https://www.mozambique-gas-summit.com/speakers/benjamim-chilenge/>
- ^{ix} <https://www.mozambique-gas-summit.com/speakers/dr-acacio-langa/>
- ^x <https://www.mozambique-gas-summit.com/speakers/amad-valy/>
- ^{xi} <https://www.total.com/media/news/press-releases/total-closes-acquisition-anadarkos-shareholding-mozambique-lng>
- ^{xii} http://www.mzlng.com/content/documents/SOL_Event_-_Ingram.pdf
- ^{xiii} PSA agreement page 11. 30 years after approval of Development Plan
- ^{xiv} http://www.mzlng.com/content/documents/MZ-000-AM1-HS-RPT-00002_ESHIA_Executive_Summary_and_Update2.pdf
- ^{xv} <https://www.eni.com/en-IT/media/press-release/2017/06/eni-launches-coral-south-project-in-mozambique.html>
- ^{xvi} Due to lack of data, the team follows a similar development timeline as Area 1 (given both are connected): 3 years to approve the Development plan. FID + 4.5 construction / production starting year 6.
- ^{xvii} Standard Bank Public Model 2019.
- ^{xviii} <https://www.mckinsey.com/industries/oil-and-gas/our-insights/the-future-of-liquefied-natural-gas-opportunities-for-growth>
- ^{xix} <https://www.iea.org/reports/gas-market-report-q1-2021>
- ^{xx} <https://www.reuters.com/article/global-lng/global-lng-asian-spot-prices-rise-to-record-high-idUSL1N2JJ1LT>
- ^{xxi} <https://www.mckinsey.com/industries/oil-and-gas/our-insights/the-future-of-liquefied-natural-gas-opportunities-for-growth>
- ^{xxii} Projected government revenues from gas projects
- ^{xxiii} <https://www.oxfamamerica.org/explore/research-publications/government-revenues-coral-flng/>
- ^{xxiv} <https://www.afdb.org/en/news-and-events/press-releases/african-development-bank-approves-400-million-support-mozambiques-ambition-become-global-lng-player-32908>
- ^{xxv} <https://www.eni.com/assets/documents/governance/2020/eng/minutes--shareholders-meeting-13-may-2020/Questions-and-answers-before-the-Shareholders-Meeting-2020.pdf>
- ^{xxvi} <https://www.resourcecontracts.org/contract/ocds-591adf-2311124573/view#/pdf>
- ^{xxvii} <https://www.resourcecontracts.org/contract/ocds-591adf-7912152192/view#/pdf>
- ^{xxviii} <https://www.bloomberg.com/news/articles/2020-07-16/total-s-mozambique-lng-completes-almost-16-billion-in-financing#:~:text=Mozambique%20LNG%20will%20generate%20about,bigger%20project%20led%20by%20Exxon.>
- ^{xxix} <https://www.bloomberg.com/graphics/2020-peak-oil-era-is-suddenly-upon-us/>
- ^{xxx} <http://www.inp.gov.mz/en/Media/Files/Projected-Government-Revenues-from-Gas-Projects>

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- ^{xxx}<https://www.reuters.com/article/global-lng/global-lng-asian-spot-prices-rise-to-record-high-idUSL1N2JJ1LT>
- ^{xxxii} <https://www.oxfamamerica.org/explore/research-publications/government-revenues-coral-flng/>
- ^{xxxiii} <https://www.mckinsey.com/industries/oil-and-gas/our-insights/the-future-of-liquefied-natural-gas-opportunities-for-growth>
- ^{xxxiv} <https://www.fitchratings.com/research/sovereigns/fitch-affirms-mozambique-at-ccc-09-12-2020>
- ^{xxxv} World Bank & IMF report consider Mozambique in debt distress by April 2020
<http://documents1.worldbank.org/curated/en/775751595863074749/pdf/Mozambique-Joint-World-Bank-IMF-Debt-Sustainability-Analysis.pdf>
- ^{xxxvi} Assume this to be the case because we cannot see alternative arrangements and it is normal practise.
- ^{xxxvii} <https://cipmoz.org/wp-content/uploads/2019/05/ENH-1-1.pdf>
- ^{xxxviii} [https://www.mof.gov.ae/en/StrategicPartnerships/DoubleTaxtionAgreements/Pages/DoubleTaxtion.aspx](https://www.mof.gov.ae/en/StrategicPartnerships/DoubleTaxationAgreements/Pages/DoubleTaxtion.aspx)
- ^{xxxix} Anadarko - Mozambique. PSA 2006 P.40