



MOZAMBIQUE EXTRACTS, EXPORTS AND COLLECTS REVENUE, BUT DOES NOT INDUSTRIALISE

- The tax the State prefers to receive in cash and the paradox of industrialization

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THE QUESTION THE GOVERNMENT MUST ANSWER:

“If the law has allowed the State to receive part of production in kind since 2009, why does Mozambique continue to export virtually all its raw material and industrialise so little.”

Executive Summary

In 2009, the Government approved the Strategy for the Development of the Natural Gas Market in Mozambique. This strategy prioritised the country’s industrialisation through gas, the substitution of fuel imports with domestic production, and the creation of national companies. Among its central measures, the strategy provided that the State could receive up to 5% of the gas produced as production tax in kind—the gas royalty—and allocate it to projects of major national impact. Seventeen years later, this mechanism exists, is included in contracts and has an institutional vehicle designated by law, but it does not deliver the intended results. The largest gas project in operation exports 100% of its production (Coral South), while gas from Temane has never exceeded 14% domestic consumption against the legal target of 25%.

The new legislative package of June 2026 (Petroleum Law (Law No. 8/2026), Mining Law (Law No. 7/2026) and Local Content Law (Law No. 9/2026)) constitutes the most ambitious regulatory framework Mozambique’s extractive sector has ever had. For the first time, minimum State participation, the domestic market quota, mandatory processing and local content with real sanctions are articulated in a single package. However, the pattern is familiar and historical: good laws, but absent structural conditions.

This policy brief demonstrates that the central obstacle is not the absence of legal instruments, but the Government’s persistent inability to use the power already granted to it by law to promote industrialisation. The case of the Petroleum Production Tax (PPT) paid in kind is a practical example of this paradox. The Sasol contract provides for the PPT to be received in kind, and Ministerial Diploma No. 209/2014 of 5 December designates ENH as the institutional vehicle for that purpose. In practice, part of the gas is received in kind and another part is commercialised; nevertheless, domestic consumption remains far below the established target (25%). For Coral South, the obstacles are of a different nature: logistics and market constraints. The revenue-

sharing mechanism with communities, which should apply to the total PPT (in kind and in cash), has been applied only to the monetary component, harming communities and revealing selective implementation that favours short-term revenue collection.

Key Messages

- 1) Although the gas-based industrialisation strategy has existed since 2009 and the legal instruments are available, Mozambique's extractive sector remains locked into a logic of extraction and export, with limited value retention.
- 2) The State has both the legal power and the institutional vehicle to receive royalties in kind. It does not use them fully, either because of infrastructure constraints, fiscal preference, or both.
- 3) The revenue-sharing mechanism with communities has been applied only to the monetary component of the PPT, ignoring the in-kind component. This harms communities and reveals selective implementation of the law.
- 4) The 2026 legislative package is the strongest the sector has ever had. Its effectiveness will depend on structural conditions that no law, by itself, can create.

1. INTRODUCTION

Mozambique extracts natural resources, exports them and collects revenue, but does not industrialise. This is the most concise description of the governance model of Mozambique's extractive sector, and the empirical evidence of the last eight years clearly confirms it. Between 2017 and 2024, data from the Extractive Industries Transparency Initiative (EITI) reports document sustained growth in the production of gas, graphite and heavy sands, an increase in exports and an expansion of fiscal revenues.

Despite this, the structure of the extractive sector remains essentially unchanged. Most added value continues to be generated outside the country, where resources are processed, transformed and integrated into industrial value chains far from national borders.

The debate on the need to change this pattern is not new. Over the last fifteen years, Mozambique has built an increasingly robust strategic and legal framework to promote the industrialisation of natural resources and increase their benefits for the national economy. Resolution No. 64/2009 of 2 November, which approved the Strategy for the Development of the Natural Gas Market in Mozambique, defined the use of gas to drive industrial development as a priority. This vision was further developed with the approval of the Natural Gas Master Plan by the Council of Ministers on 24 June 2014 and consolidated by Law No. 21/2014 of 18 August (Petroleum Law), which introduced mechanisms to secure domestic market supply.

More recently, the legislative package approved in June 2026 (Laws Nos. 7, 8 and 9/2026) strengthened this framework by establishing minimum State participation in projects, making local processing of certain resources mandatory, reinforcing local content rules and creating a new regulatory authority.

In light of this evolution, the central question is no longer whether Mozambique has a strategy or a legal framework to promote greater value addition from its natural resources. The question now is why, despite this framework, the extractive model remains predominantly based on the export of raw materials and limited industrial transformation within the country.

This *policy brief* seeks to explain the gap between the ambition of public policies and the reality of their implementation. To do so, it analyses the production tax paid in kind as a case study. The production tax paid in kind is an instrument that the State recognises in law and for which it has created institutional implementation mechanisms. Yet its use remains partial or even non-existent. The analysis of this case helps

identify the institutional, contractual and political factors that have constrained the transformation of natural resources into greater economic value for Mozambique.

The implementation model

The transformation of natural resources into economic development depends on a five-link chain:

1. Adequate legislation that creates the basis for contracts compatible with industrialisation objectives;
2. Compatible contracts that require reception, transport and processing infrastructure;
3. Infrastructure that enables the development of a domestic market;
4. A domestic market that sustains industrialisation; and
5. Industrialisation that generates added value retained in the country.

This *policy brief* demonstrates that, in the Mozambican case, the chain is well constructed at the first link-legislation-but systematically breaks down at the subsequent links. Pre-existing contracts do not incorporate the obligations of the most recent legislation, infrastructure for receiving production in kind is insufficient or non-existent and, as a result, the domestic market remains underdeveloped. The analysis of the production tax paid in kind that follows illustrates exactly where this rupture occurs.

1.1 METHODOLOGY

The analysis is based on three pillars. The first is documentary, drawing on Mozambique EITI reports for 2017-2024 (8th to 13th reports), which reconcile data on production, exports, fiscal revenues and employment for the gas, graphite and heavy sands sectors; Resolution No. 64/2009 of 2 November; Law No. 21/2014 of 18 August; the Gas Master Plan (2014-2030); the June 2026 legislative package (Laws Nos. 7, 8 and 9/2026); and the concession contracts for Area 4 and Pande-Temane. Reference is also made to the 2022 CIP study on irregularities in the transfers of the 2.75% to the communities of Inhassoro and Govuro (Essinalo, 2022).

The second pillar is analytical. It consists of developing an index referred to as the Simplified Value Retention Index (SVRI), designed specifically for this study and used to operationalise Mozambique's presence in four stages of the value chain: extraction, primary processing, intermediate processing and final use or manufacturing. One point is assigned to each stage materially carried out in the country, and half a point when the presence is partial or lacks industrial scale. The score, from 0 to 4, does not measure the monetary value captured, but rather the depth of national integration into the chain, and should be read together with fiscal and export indicators.

The third pillar is comparative. It compares Mozambique with selected international cases, namely Norway, Botswana, Indonesia, Nigeria and Brazil, which illustrate trajectories of greater and lesser success in value retention, with particular attention to the conditions that made policies effective, and not only to the policies themselves.

2 THE FAILURE TO IMPLEMENT THE STRATEGY FOR DEVELOPING THE DOMESTIC MARKET

On 2 November 2009, the Government approved Resolution No. 64/2009, which established the Strategy for the Development of the Natural Gas Market in Mozambique. The document diagnoses and recognises that: *i*) Pande-Temane production was mostly exported; *ii*) it identifies the domestic market as a priority; and *iii*) it defines seven lines of action, from import substitution to the promotion of national entrepreneurship, including price regulation and open access to pipelines.

It is important to note that Resolution No. 64/2009 of 2 November does not establish a time horizon or dated targets for its implementation. The seven lines of action are policy guidelines without an associated timetable.

In this sense, the assessment carried out in this *policy brief* recognises that, formally, there is no deadline against which to measure compliance or non-compliance. The instrument that followed this resolution, the Natural Gas Master Plan approved by the Council of Ministers on 24 June 2014, establishes this horizon more explicitly, with specified objectives to be achieved by 2030. It is on this second instrument, more precise in terms of deadlines, that the assessment of non-compliance can rest more rigorously. The 2014 Master Plan also has another analytical advantage. It projected, with concrete figures, expected domestic gas demand for the following decade and documented real expressions of interest from international investors.

For 2025, the Master Plan estimated total domestic demand of around 697.5 million GJ/year, of which 673 million would come from the Rovuma Basin for fertilisers, GTL, methanol and power plants, and only 24.5 million from Pande-Temane. The same document records expressions of interest from investors from Italy, South Africa, Korea, Germany, Norway, Japan, India and the United Kingdom, totalling around 26.6 TCF of gas requested for GTL, fertiliser and methanol projects. These figures show that Mozambique’s problem was not the absence of documented industrial demand: there was expressed interest, with investor names and specific quantities. The gap between this official 2014 projection and the actual domestic consumption recorded between 2017 and 2024-between 12% and 14% of Sasol’s production and far below the volumes projected for Rovuma-is a figure that demonstrates that, seventeen years after its approval, the strategy has failed completely.

The table below compares what the 2009 strategy and the 2014 Master Plan required with what the data show for 2017-2024.

Table 1: Assessment of the implementation of Resolution No. 64/2009: strategic objectives versus observed results (2017-2024)

What Resolution No. 64/2009 required	What happened (2017-2024)
A - Priority to import substitution; contracts should give preference to projects that add value within the country.	Gas continued to be mostly exported. Sasol’s domestic consumption remained between 12% and 14%, against the 25% target. Coral South exports 100%.
B - Avoid monopolies; promote competition in the gas market.	The gas market remained concentrated. Sasol maintained a dominant position in the <i>upstream</i> segment.
C - The State as an active promoter of industrial projects.	Industrialisation projects were slow. Sasol’s LPG plant and the Temane power plant only materialised in 2025-2026.
D - End exclusivity arrangements; allocate gas through public tender.	Coral South gas is governed by the 2006 contract, prior to the strategy, which does not provide for the domestic market.
E - Open access to pipelines; public tariffs.	Access remained limited. Coral South LNG is exported by ship; it does not pass through the ROMPCO pipeline.
F - Promotion of Mozambican capital participation.	ENH holds 15% in Area 1 and 10% in Area 4, but management and technology remain dominated by foreign companies.
G - Contracts assessed by price, import substitution, local value addition and development impact.	The Area 4 contracts were signed in 2006 under Law No. 3/2001 of 21 February, before these criteria existed.

Source: Government of Mozambique, Resolution No. 64/2009 of 2 November; Mozambique EITI, 8th to 13th Reports (2017-2024).

The conclusion is that Mozambique does not face a strategy deficit. In 2009, the State already knew what needed to be done. The problem is the persistent inability to implement strategic guidelines in the face of the logic of existing contracts, the absence of structural conditions and a set of institutional choices that consolidated the export model.

3 THE PARADOX OF THE TAX PAID IN KIND

The Sasol concession contracts (PPA, 2000) and the Coral South contract (Area 4, EPCC, 2006) establish that the Petroleum Production Tax must be paid in kind. The company physically delivers to the State a percentage of the gas produced: 5% in the case of Sasol and 2% in the case of Coral South. The same contracts grant the Government the power, upon 180 days' prior notice, to opt for payment in cash. In practice, the approach has been mixed for Sasol and entirely monetary for Coral South.

3.1 THE SASOL MECHANISM: RECEIPT IN KIND THROUGH AN INSTITUTIONAL VEHICLE

Ministerial Diploma No. 209/2014 of 5 December designated ENH as the entity responsible for receiving Sasol's gas in kind as PPT and for managing and commercialising it. In practice, part of the gas royalty physically reaches ENH, which then sells it, notably to Matola Gás Company, for consumption in the domestic market. This mechanism demonstrates that receipt in kind is operationally possible for Temane gas through the pipeline.

However, even with this mechanism in operation, domestic consumption has never exceeded 14% of production, that is, less than half of the legal target of 25%. This means that, for Sasol, the problem is not the technical impossibility of receiving payment in kind. It is the insufficient scale and the absence of an active strategy to develop a domestic market capable of absorbing gas in a growing and industrially transformative manner.

3.2 THE CORAL SOUTH MECHANISM: OBSTACLES OF A DIFFERENT NATURE

For Coral South, the situation differs from that observed for Sasol. In this case, gas is produced as Liquefied Natural Gas (LNG) on an offshore floating platform. Receiving it onshore would additionally require a regasification terminal (FSRU), with an estimated cost of between USD 200 million and USD 400 million, based on benchmarks from similar projects in Tanzania and Senegal. Since production began in November 2022, all LNG has been exported.

Law No. 21/2014 of 18 August established a minimum quota of 25% for the domestic market, and the new Law No. 8/2026 of 3 June reinforces that obligation as a duty of titleholders. However, the Coral South contracts were concluded in 2006 under Law No. 3/2001 of 21 February, which did not provide for that obligation. This creates a legal paradox. The general law does not have retroactive effect over contractual obligations already established.

Table 2: Production, exports and fiscal contribution of the Coral South FLNG project (2022-2024).

Indicator	2022	2023	2024
LNG production (million MMBTU)	0	142,5	173,6
LNG exports (million MMBTU)	0	138,9	173,6
% Exported	-	100%	100%
Fiscal revenue (million MZM)	1.493	8.403	6.906
Form of PPT payment	Cash	Cash	Cash
Allocation to the domestic market	0	0	0

Source: Mozambique EITI, 12th and 13th Reports; Mozambique Sovereign Fund, LNG Revenue Reports (2025).

Reading Table 2 shows a pattern that remained stable over the three years of production. The share of gas allocated to the domestic market remained at zero in every year, even as production more than doubled between 2023 and 2024 and fiscal revenue exceeded MZM 8 billion in 2023. There is therefore no sign of a gradual transition. The growth in the project's scale did not translate into any volume, however small, being allocated to domestic consumption. The form of PPT payment also remained consistently in cash over the three years, confirming that Coral South never activated the in-kind payment mechanism provided for in the contract. The combination of these two facts-persistent full export and exclusively monetary tax payment-clearly distinguishes Coral South from the Sasol case, where there is at least a partial mechanism for receipt in kind through ENH.

3.3 THE PARADOX OF REVENUE SHARING WITH COMMUNITIES: TOTAL PPT VERSUS SELECTIVE IMPLEMENTATION

The petroleum law determines that 10% of PPT revenues must be allocated to the local development of the host communities of extractive projects. A 2022 CIP study showed that, in the case of Sasol, the Government calculated the 2.75% transfers to the communities of Inhassoro and Govuro only on the monetary component of the PPT, ignoring the in-kind component. The correct formula, according to the law, would be: community revenue (CR) = 2.75% × MR + 2.75% × IR, where MR is monetary revenue and IR is in-kind revenue. By applying the formula only to MR, communities failed to receive approximately MZM 53 million between 2013 and 2020.

This fact introduces an implementation paradox with important analytical consequences for the sector. The State receives part of the PPT in kind through ENH, but calculates transfers to communities as if it only received payment in cash. In doing so, it simultaneously underfunds communities and fails to maximise the industrial use of the gas it receives in kind. This selective implementation favours short-term revenue collection and penalises both communities and industrialisation.

Two interpretative hypotheses - without assuming either as definitive:

Hypothesis A - A conscious decision not to industrialise: the State deliberately chose to maximise short-term monetary revenues by applying the PPT in kind sub-optimally and calculating community transfers only on the monetary component. This hypothesis is consistent with the absence of any significant public investment in gas reception infrastructure at industrial scale.

Hypothesis B - Institutional path dependency: the system was designed from the outset around a fiscal revenue logic, without the industrial alternative being seriously operationalised. Each incremental decision-maintaining payment in cash, creating monetary distribution mechanisms and not investing in gas reception and processing infrastructure-was rational in the short term. However, the cumulative effect of these choices reinforced institutions, incentives and expectations oriented towards fiscal revenue capture, progressively making it harder to adopt a strategy centred on domestic industrialisation and locking the country into a raw-material export model.

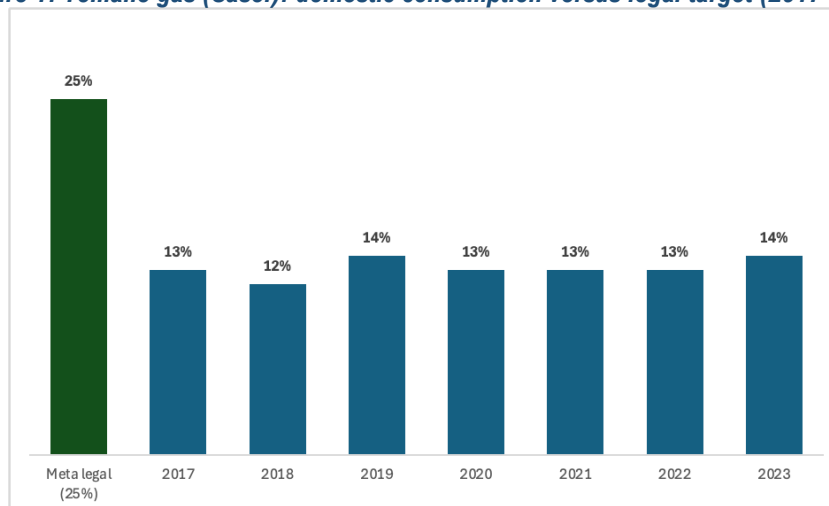
The available evidence is compatible with both hypotheses, and the distinction between them matters for diagnosis, not for the solution. Hypothesis A locates the problem in a deliberate political decision, while Hypothesis B locates it in an institutional trajectory that became consolidated without anyone explicitly choosing it. In both cases, however, the way out requires active political will either to reverse a conscious decision or to break with an inertia that persists only because no one has decided to interrupt it. The difference between the two hypotheses is not the solution; it is responsibility.

4 WHAT EITI REPORTS SHOW (2017–2024)

4.1 NATURAL GAS: TEMANE AND CORAL SOUTH

The EITI reports for 2017-2024 make it possible to document the distance between legal obligations and actual performance. In the case of Sasol, production remained stable (174-193 PJ/year), but domestic consumption—including gas commercialised through ENH and MGC—never exceeded 14%, less than half of the legal target of 25%.

Figure 1: Temane gas (Sasol): domestic consumption versus legal target (2017-2023)



Source: Author's elaboration based on EITI Mozambique, 8th to 13th Reports (2017-2024). Domestic consumption includes gas commercialised through ENH/MGC and other domestic consumers. The 25% target is established in the Petroleum Law.

The figure above shows a trend of stabilisation of domestic consumption within a narrow range, between 12% and 14% of production, with a variation of only two percentage points between the lowest value (2018) and the highest values (2019 and 2023) over the seven years observed. This stability is not accompanied by any trend of convergence towards the legal target of 25%. In none of the seven years is there any sign of gradual movement towards the value required by law. The pattern is therefore one of persistent equilibrium, well below the legal threshold, and not an interrupted or transitional trajectory.

4.2 GRAPHITE AND HEAVY SANDS – BALAMA AND MOMA

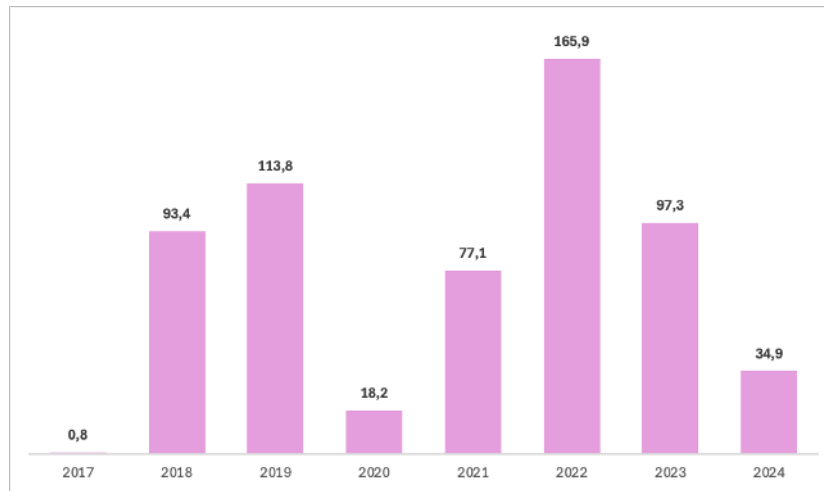
Graphite and heavy sands follow production trajectories that differ from each other: one marked by a peak and collapse, the other by continuous growth. Yet both lead to the same outcome: the absence of domestic processing. This suggests a structural constraint cutting across the extractive sector, rather than a feature of a single resource or company.

In Balama, Syrah Resources extracts and produces graphite concentrate, but higher-value processing—the production of Active Anode Material (AAM) for batteries—takes place at the Vidalia facility in Louisiana, United States (Syrah Resources, n.d.). The company's production data indicate that output grew sharply between 2017 and 2022, reaching a peak of 165.9 thousand tonnes that year, and then collapsed to 34.9 thousand tonnes in 2024, reflecting volatility in the global market for battery minerals (see Figure 2). Fiscal revenues increased in the years of high production, but value in the chain remains outside the country at every point in the series.

The journalist and academic Joseph Hanlon, one of the most experienced analysts of Mozambique, summarised the paradox when commenting on the United States' USD 220 million financing for Syrah's anode plant in Louisiana: "The US Department of Energy gave USD 220 million to Syrah Resources to expand its plant in

Vidalia, Louisiana, which uses graphite from the Balama mine. The plant expansion will create 221 jobs. [...] Mozambique is left with a hole in the ground and the US gets skilled jobs and training. They call that development.” (Hanlon, 2022).

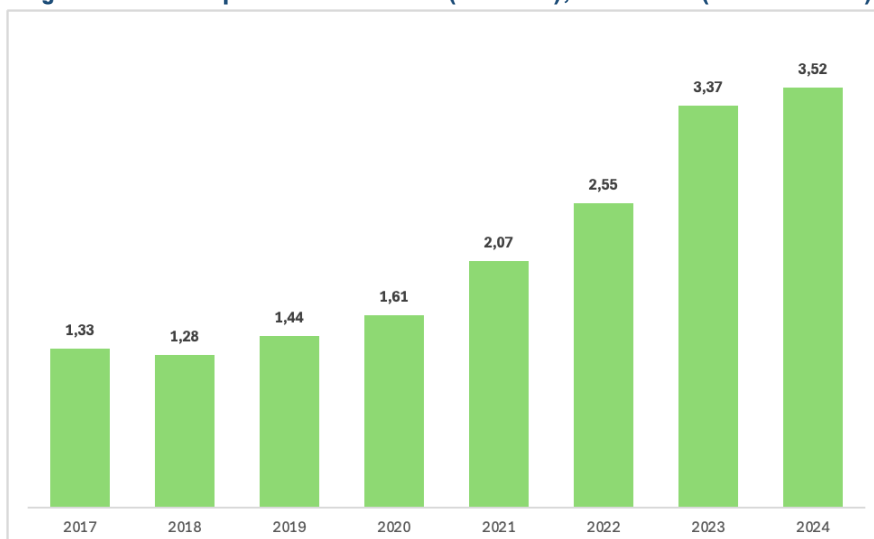
Figure 2: Graphite production in Balama (Syrah Resources), 2017-2024 (thousand tonnes)



Source: Author's elaboration based on EITI Mozambique, 8th to 13th Reports (2017-2024).

In Moma, Kenmare Resources operates one of the largest heavy sands mines in the world. Ilmenite production increased from 1.3 million tonnes (Mt) in 2017 to 3.5 million in 2024, and the fiscal contribution exceeded MZM 1.9 billion in 2022. However, empirical observation indicates that the maturity of the project has not produced the desired industrialisation. Ilmenite is exported and transformed into titanium dioxide pigment outside the country.

Figure 3: Ilmenite production in Moma (Kenmare), 2017-2024 (million tonnes)



Source: Author's elaboration based on EITI Mozambique, 8th to 13th Reports (2017-2024).

The figure above shows that ilmenite production increased by 165% over seven years, without any year of decline. This is factually different from Temane gas, where the domestic consumption indicator showed no equivalent improvement over the same period. A direct comparison indicates that Moma's production grew continuously during the same period in which domestic gas consumption remained stagnant between 12% and 14%.

4.3 SIMPLIFIED VALUE RETENTION INDEX (SVRI)

The matrix below summarises Mozambique’s position at each stage of the value chain for the three sectors analysed. The SVRI does not measure revenues or profits, but the location of productive activities that potentially allow value to be retained in the country.

Table 3: Simplified Value Retention Index (SVRI)

Sector / Project	Extraction	Primary Processing	Intermediate Processing	Final Use / Manufacturing	SVRI
Graphite - Balama	1	1	0	0	2/4
Heavy Sands - Moma	1	1	0	0	2/4
Gas - Temane (Sasol)	1	1	0,5	0,5	3/4
Gas - Coral South (Eni)	1	1	0	0	2/4

Note: 1 = stage materially carried out in Mozambique; 0.5 = partial presence or absence of industrial scale; 0 = stage absent. The Temane case scores 0.5 for intermediate processing and final use because domestic consumption and electricity generation exist, but consistently below the legal target and without transformative industrial scale. It should be read together with fiscal, export and employment indicators.

The results of this index show a cross-cutting pattern in which Mozambique participates fully in extraction and, in some cases, in primary processing, but has limited or no presence in the higher-value-added stages. The diversity of resources and companies weakens the hypothesis that the problem is specific to one project and points instead to shared structural constraints.

5 THE 2026 LEGISLATIVE PACKAGE: REAL PROGRESS OR A REPETITION OF THE PATTERN?

The three laws approved on 3 June 2026, namely the Petroleum Law (Law No. 8/2026), the Mining Law (Law No. 7/2026) and the Local Content Law (Law No. 9/2026), form the most ambitious regulatory framework Mozambique’s extractive sector has ever had. For the first time, a minimum State participation of 15%, non-dilutable under a free-carry arrangement, the 25% domestic market quota as a duty of titleholders, mandatory local processing and local content with sanctions of up to USD 300,000 and concession cancellation are articulated in a single package, with a dedicated regulatory authority.

These measures are, in principle, correct. The question raised by the experience of gas is whether these obligations will be incorporated into contracts, with verifiable targets and sanction mechanisms that are effectively applied, or whether they will remain general guidelines that specific contracts do not make binding.

The Kenmare case offers an initial lesson. In March 2026, the company threatened international arbitration when the tax authorities attempted to revoke the project’s Industrial Free Zone status and increase royalties (ICLG, 2026). The episode illustrates the risk that unilateral changes to contractual conditions may deter investors, but also that poorly negotiated contracts create enclaves that general legislation can hardly correct.

For pre-existing contracts, including Coral South and Pande-Temane, Article 91 of Law No. 8/2026 of 3 June explicitly safeguards acquired rights. In this sense, the challenge of Coral South and other projects to which neither the 2014 Law nor the 2026 Law applies retroactively in relation to domestic market obligations can only be resolved contractually, not through general legislation.

6 INTERNATIONAL LESSONS THAT DISTINGUISH SUCCESS FROM FAILURE

International experience converges on one point. Countries that have succeeded in retaining value from their natural resources did so because they created the structural conditions that make local processing economically viable and built institutions capable of enforcing negotiated obligations, not merely because they had good laws.

Norway created Statoil with a 50% participation in all licences. It required 50% of associated research to be carried out domestically and linked local content to the effective competitiveness of suppliers, rather than to formal quotas. The result was a national offshore services industry that now exports expertise to the world (Heum, 2008; IISD, n.d.a). The lesson here is not to reproduce the Norwegian model, since the contexts are radically different, but to recognise that local content only works when it demands quality, not merely formal presence.

Botswana negotiated with De Beers the allocation of a defined quantity of rough diamonds to cutting and polishing companies established in the country and, in 2013, transferred the company's global aggregation operation to Gaborone. The strategy required bargaining power and decades of patience, but it created real spillovers for the local economy (Mbayi, 2011; IISD, n.d.b). The lesson is that beneficiation can work when the country has market power over the resource and when the State negotiates actively.

Indonesia banned the export of raw nickel ore in 2020, attracting massive investment in smelters, mainly from Chinese investors. The result was an increase in exports of processed nickel, but at the cost of creating an oligopsony in which Sino-Indonesian consortia dictate prices, reducing the margins of local mining companies (Utamawati & Yusuf, 2026). An export ban can force local processing without guaranteeing that the country captures the expected value if it is not accompanied by partner diversification and market safeguards.

Nigeria combined legal obligation with industrial capacity building by prohibiting imports of certain goods. It created industrial parks and established a USD 350 million Intervention Fund to finance local manufacturing (NCDMB, 2025). Brazil domestically transformed its niobium resources through Companhia Brasileira de Metalurgia e Mineração (CBMM), with strong investment in research and development (R&D), progressively moving up the value chain (Sojitz, 2025; CBMM, n.d.). Both cases show that the transition from extraction to processing requires dedicated financing and an industrial actor with the mandate and capacity to execute.

7 WHAT BLOCKS INDUSTRIALISATION IN MOZAMBIQUE?

The analysis of the three sectors and the international comparison make it possible to identify five structural constraints which, in combination, explain why legal obligations do not translate into value retention. Four of them cut across any industrialisation effort and do not arise specifically from the analysis of the PPT. The fifth is the one that connects directly to the central argument of this *policy brief*.

The absence of energy reception and distribution infrastructure is the most immediate constraint. Industrialisation is energy-intensive, but Mozambique's transmission and distribution grid remains insufficient, expensive and unreliable, preventing local processing from competing with producers in other geographies (Morris, Kaplinsky & Kaplan, 2012). Logistical fragility amplifies the problem, since the extraction zones-Balama, Moma and the Rovuma Basin-are far from industrial markets and export ports. The infrastructure network was not designed for integrated industrial chains (Castel-Branco, 2010).

Access to financing on terms compatible with the industrial cycle is the third constraint. National companies rarely obtain adequate credit. The National Investment Bank (BNI), despite its mandate as a development bank, continues to operate in a generalist manner, without instruments dedicated to extractive value chains. The

shortage of specialised technical skills—engineers, metallurgists, chemists, industrial managers and others—also limits the capacity to move up the value chain. Dependence on foreign labour increases costs and reduces knowledge transfer.

The fifth constraint is the only one specific to the analysis in this *policy brief*, and it is also the most directly actionable: the selective implementation of the fiscal mechanism. The State receives part of the PPT in kind through ENH from Sasol, but calculates transfers to communities only on the monetary component, and does not maximise the industrial use of the gas received in kind. For Coral South, the absence of regasification infrastructure makes receipt in kind logistically unfeasible. Unlike the four previous constraints, which require long-term investment in physical infrastructure and human capital, this is fundamentally a problem of correctly applying existing rules and of political will. It is also for this reason that the recommendations in this *policy brief* begin precisely here.

8 CONCLUSION

The main conclusion of this *policy brief* is that the obstacle to the industrialisation of Mozambique’s extractive sector does not lie in the absence of strategies, laws or legal instruments. From Resolution No. 64/2009 of 2 November, through the Natural Gas Master Plan (2014) and Law No. 21/2014 of 18 August, to the legislative package of June 2026, the State has gradually built a legal framework aimed at promoting greater value retention, domestic market supply and national participation. The problem has been different: ***the difficulty of translating this legal framework into concrete economic decisions. There is no political will and broad commitment by Mozambique’s successive governments, from 2009 to the present, to create and consolidate the foundations for industrialisation in the extractive sector.***

The production tax paid in kind illustrates this paradox particularly clearly. In the case of Sasol, there is a legal basis, a contract and an institutional mechanism that allow the State to receive part of the gas in kind. Even so, domestic consumption remains far below the legal target. In the case of Coral South, the contractual mechanism exists, but the absence of infrastructure and contractual limitations have prevented its operationalisation. In both cases, the result is similar: ***the country collects revenue but continues not to create the conditions necessary to transform natural resources into industrial activity.***

The international experience analysed points to a consistent conclusion. Countries that succeeded in increasing value retention did not do so through new laws alone; they simultaneously invested in infrastructure, institutions, bargaining capacity, industrial financing and effective implementation mechanisms. Legislation was only one part of the solution.

The legislative package approved in 2026 represents an important opportunity to break this pattern. However, if the economic, institutional and political conditions needed to implement what the law requires are not created, there is a real risk of repeating the path that began in 2009: ***an ambitious legal framework, but limited results in the structural transformation of the economy.***

In this sense, the question is not whether the State wants to industrialise; the entire legal and institutional framework says that it does. The question is: ***why do the existing instruments fail to produce the expected results?***

The structural trap:

Mozambique does not face a deficit of legislation. It faces an implementation deficit and a manifest lack of political will. The challenge is no longer to create new legal instruments, but to make full use of those that the State itself has built over the past seventeen years.

The four recommendations that follow do not propose new legislation, since they are based on the premise that the legal instruments already exist. Instead, each in its own way, they seek to close the gap between what the law requires and what the State actually does.

8.1 Recommendations

- 1) The Ministry of Economy and Finance should correct the procedures for calculating the 2.75% (and 7.25%) transfers to communities, so as to include both the monetary component and the in-kind component of the PPT, as established by law. It should also conduct a retroactive audit to quantify the amounts not transferred since 2013 and define a regularisation plan. This correction entails zero cost for the State; it only requires complying with the law as written.
- 2) The Government should request ENH, within 12 months, to submit a strategy identifying the industrial projects with the greatest capacity to absorb the royalty gas received in kind, the available volumes, competitive prices and commercialisation mechanisms. For Coral South, the Government should commission an independent technical and economic study on the feasibility of receiving LNG in kind, including the cost of an FSRU terminal, absorbing domestic markets and the commercialisation model. Both studies should be public.
- 3) The Government should ensure that new contracts are bound by the standard Mining and Petroleum Contract model approved under the 2026 legislative package. The model should include annual physical targets for local processing, minimum percentages of purchases from national suppliers and sanction mechanisms with defined values, rather than merely declaratory clauses. For pre-existing contracts, including Coral South and Pande-Temane, the State should negotiate addenda with measurable counterparts: additional fiscal transparency, local procurement plans with volumes and timelines, and technical training commitments. The Coral South paradox can only be resolved contractually.
- 4) The Government should publish annually, as an extension of EITI reports, a Value Retention Dashboard presenting, by project, total production, exports, fiscal revenues, the composition of the PPT (monetary component and in-kind component), transfers to communities on both components, purchases from national suppliers, skilled national employment, the percentage of production processed in Mozambique, the volume allocated to the domestic market and the position in the SVRI matrix. Without value-retention indicators, and not only production and revenue indicators, the political debate remains hostage to magnitudes that measure extractive activity, not industrialisation.
- 5) The Assembly of the Republic should approve a National Industrialisation Pact that binds all governments, regardless of their political composition, to a set of minimum verifiable value-retention targets in the extractive sector, namely: percentages of local processing, volumes allocated to the domestic market and correct transfers to communities. The Pact should provide for mandatory review every five years, with a public assessment of compliance, and should be approved by a qualified two-thirds majority, so that any amendment requires broad political consensus. The Pact would operate at the level of a law with reinforced force, creating continuity without immutability. The most urgent document Mozambique lacks is not a new industrialisation law; it is a political commitment capable of surviving changes of government.

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