Local Content for the International Petroleum Industry

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Introduction
The term “local content” refers to the value petroleum activities bring to a country beyond the direct revenues from hydrocarbons. Job creation, taxes and fees, and the infusion of talent and education all contribute to local content. With the insight of experts from around the world, this text explores the policies of more than two dozen countries, each with its own approach. It also discusses historical context and how countries could learn from the best and the worst of local content development.

Host countries that remain assertive in local content policies also have a better track record in tackling other associated problems. These include economic and social issues as well as also the development of a diverse and well-educated local work force. This text is a valuable resource for legal counsels (in-house and external), governmental authorities, business development managers, economists, NGOs, and academics.

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MOZAMBIQUE

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Introduction

Mozambique is a country rich in natural resources, especially those that can be transformed into energy. The main sources of energy are coal, petroleum (which includes oil and gas), and renewable energies, which together provide for the primary energy sources in Mozambique, estimated in 2014 at 0.45 quadrillion Btus.\(^1\)

It is important to note that in Mozambique, all petroleum resources located in the soil or subsoil or under inland waters, territorial seas, the continental shelf, and in the exclusive economic zone (EEZ) are the property of the state. As a result, private enterprises in the oil and gas industry will have to deal with a sovereign power.

Despite massive potential for electricity and fuel generation, energy consumption in Mozambique remains heavily dependent on firewood and other wood fuels (such as charcoal). This reliance on wood fuels is due to a lack of socioeconomic development, as well as limited access to electricity and natural gas networks.

Compared to the country’s increasing natural gas sector, the oil sector in Mozambique is in an early stage. Nevertheless, international players have been lining up and prepping the field to ramp up E&P efforts. Oil production was due to commence in an oil field discovered next to the Temane natural gas field (both operated by Sasol). Unfortunately, market economic fluctuations have led to its delay.\(^2\)