

From Conflict Zone to Energy Hub: Mozambique's LNG Gamble

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In northern Mozambique, lies one of the world's richest undeveloped gas basins, just offshore in a province still scarred by jihadist violence. Since 2017, the Cabo Delgado insurgency has claimed at least 4,600 lives and uprooted about a million



residents, forcing TotalEnergies to suspend work on its flagship LNG complex in 2021. Fast-forward to July 2025: Rwandan and South African Development Community (SADC) troops have pushed militants inland, and momentum behind a US\$57 billion LNG build-out is gathering pace again. Mozambican President, Daniel Chapo, expects a formal restart agreement with TotalEnergies by August.

The timing matters far beyond Maputo. European utilities, still scrambling to replace Russian pipeline flows lost after 2022, boosted LNG imports by 40 percent year-on-year in H1 2025. If Mozambique's Area 1 and Rovuma ventures stay on track, they could ship more than 30 million t/year, roughly a tenth of Europe's pre-war Russian intake, at Brent-linked prices.

This briefing unpacks the trade-offs senior executives now confront, namely the residual security threat and its cost; the true status of construction and finance; Maputo's evolving fiscal stance; and the geopolitical jockeying as Brussels, Washington and Beijing seek new volumes.

Security vs opportunity

Cabo Delgado is quieter but not calm. Following the 2021 attack on Palma, incidents have fallen, yet Islamist cells still stage hit-and-run raids in the Quissanga-Macomia belt. Roughly 4,000 foreign troops (about 1,000 Rwandans plus a 3,000-strong SADC mission) now police the corridor that separates the Afungi LNG hub from the hinterland, containing but not eradicating the threat.

TotalEnergies has responded with layered defences such as hardened perimeters at Afungi, maritime exclusion zones around supply barges and armed convoys on the N380. Local critics argue these measures protect infrastructure more than communities yet, they remain the price of doing business in a still-volatile province. Delay already hurts the balance sheet. Four idle years have frozen US\$20 billion in sunk capital, forced the refinancing of a US\$4.7 billion EXIM loan, and pushed first cargoes well into the 2030s, compressing project net-present value and Europe's supply chain commitments.

For those sat at the top table, a handful of metrics signal whether risk is receding or regrouping... frequency of attacks within 50 km of Afungi, insurance premiums for inland trucking, along with any reactivation of force-majeure clauses in EPC contracts. If those gauges remain stable, the base-case sees construction ramping up after an August 2025 restart decision, and initial exports late-2031. A best-case (sustained security plus swift contractor mobilisation) could shave a year off that schedule; a relapse to 2021-level violence would drive a worst-case slip beyond 2033 and trigger costly renegotiations.

The strategic question then is not whether Mozambique can load LNG - geology says it can - but whether the security premium stays tolerable long enough to meet Europe's post-Russia demand window.

Scale and status of LNG megaprojects

First, gas is already flowing. Coral South FLNG, operated by Eni, has been loading cargo since October 2022 and this April celebrated its 100th shipment. The 3.4 mtpa unit now provides Mozambique's first hard LNG revenue stream.

Next in line is Mozambique LNG (Area 1), the US\$20 billion on-shore complex led by TotalEnergies. President Daniel Chapo says negotiations with the operator should conclude in August, clearing the way for contractors to remobilise. The US EXIM Bank's US\$4.7 billion loan facility has been reactivated, easing balance-sheet pressure.

Further north sits the larger Rovuma LNG (Area 4) venture, jointly held by Exxon and Eni. A full FID remains on ice, yet Samsung Heavy has received the go-ahead to start hull construction for Coral North FLNG, a phased tactic that keeps momentum without locking in the entire 15.2 mtpa on-shore plant.

Combined, the three projects represent roughly US\$57 billion in capital and, if delivered, could catapult Mozambique into the world's top-five LNG exporters early next decade. And the volumes are largely spoken for. More than 85 percent of Area 1 output is pre-sold under long-term, Brent-linked contracts to Asian and European buyers, providing predictable cash flow once force majeure is lifted.

For decision makers weighing entry or expansion, the takeaway is straightforward. Construction risk now hinges less on geology or financing and more on how quickly Area 1 can restart, and whether Rovuma's phased approach proves bankable amid a tightening global project queue.

Investment climate and risk allocation

Mozambique's upstream framework is generally favourable to investors. The 2014 Petroleum Law secures fiscal terms for 20 years and allows international arbitration, limiting concerns over sudden policy shifts. Decree 93/2021 has further opened the door by permitting off-grid mini-grid concessions, showing a clear move to attract private capital across the energy sector.

Fiscal take remains moderate by regional standards. State company, ENH, is carried for a 10-15 percent equity stake in each LNG venture and collects a sliding royalty that starts at 2 percent of gross production before rising toward the mid-teens. ENH's debt, ring-fenced to project cash flow and backed by sovereign guarantees, concentrates repayment risk on future liquefaction revenues.

The macro backdrop, however, is fragile. GDP growth slowed to just 1.8 percent in 2024 after post-election unrest and flooding, while public debt still hovers near the mid-90s percent of GDP, despite recent restructuring. That weakness is evident in capital markets. The restructured 2031 "tuna bond" was yielding around 15 percent before news of the project restart, but expectations of TotalEnergies' return pushed the bond up to 86 cents on the dollar, its highest level in two years.

Over 1,000 displaced families are still waiting for compensation at Afungi, and the UK is reviewing a £1.15 billion guarantee under NGO pressure over human rights concerns. For new investors, this means planning for higher ESG compliance costs and setting aside funds for possible remedial payments.

Geopolitical positioning

Brussels counts on Mozambican cargo to help plug the gap now that Ukraine's final transit contract with Gazprom lapsed at the beginning of January 2025. EU policy papers had already warned that any squeeze on new Atlantic volumes could complicate the bloc's drive to sever residual Russian ties under REPowerEU, which underscored the appeal of alternative suppliers such as Mozambique.

China, meanwhile, is already embedded. CNOOC holds a 13-year SPA for Area 1 volumes and in May 2024, secured fresh offshore blocks, positioning Beijing for both offtake and EPC work, an arrangement now scrutinised by Western financiers wary of dual-use technology transfer.

Maputo is using the project's strategic value to strengthen its diplomatic position. The EU has provided an extra €20 million to back Rwanda's security presence in Cabo Delgado, while India is in talks on port upgrades tied to future LNG swaps. At the same time, the US remains Mozambique's largest bilateral donor, maintaining its political influence.

Rystad Energy estimates that stalled Mozambican capacity could remove up to 9 mtpa from the market between 2026 and 2030, tightening balances and lifting JKM/TTF price floors during Europe's critical diversification window.

Long-term national impact

LNG earnings could transform Maputo's books but only gradually. IMF staff expect government take from Coral South and Area 1 to lift public revenue from barely 0.1 percent of GDP in 2023 to about 0.6 percent by 2028, pushing headline growth into the low double digits once exports normalise. Most of that early cash will service ENH's project debt and the state's wider arrears, meaning the "*windfall*" will not relieve budget pressures until after 2032.

Diversification remains Mozambique's larger strategic dilemma. Hydrocarbons still dominate the export pipeline, yet policymakers are actively courting solar-powered green hydrogen projects in Nacala and Beira to hedge against a decarbonising market. At home, access to electricity remains stuck at roughly one-third of households despite rapid grid rollouts, and fierce debates continue over whether to route more gas to domestic power plants or maximise LNG cargoes for export.

To guard against a resource curse, Maputo is preparing a sovereign wealth fund bill that will channel part of future gas revenue into education and climate programs.

It is also moving to expand EITI reporting and enforce stricter local-content rules for EPC contracts. These measures are critical if global gas demand peaks sooner than expected. Analysts warn that additional LNG trains could face underuse after 2040, putting pressure on debt repayments and leaving idle facilities along the Cabo Delgado coast.

Conclusion

Mozambique's LNG restart is finely balanced. Geology and global demand suggest a rare export window, but security risks, fiscal strain and ESG pressures could still delay or derail progress. Three priorities can help shift the outcome toward success.

First, adopt dynamic risk pricing. Track incidents inside the Afungi buffer, monitor insurance costs for inland routes and watch for any trigger of force-majeure clauses. Build contracts with flexible terms like volume options or step-out clauses all tied to these signals to protect returns.

Second, use the project's strategic value. The EU, the US and China each have an interest in Mozambican LNG. Linking offtake or equity to European diversification funds, US development finance or Chinese EPC capacity, can lower capital costs and spread political exposure.

Third, plan for a post-2032 horizon. Early revenue will mainly service ENH debt, with real dividends only arriving in the mid-2030s. Use that time to secure transition options such as gas-to-power, ammonia or green hydrogen so liquefaction assets are not stranded if global demand peaks sooner than expected.

Handled properly, Mozambique can move from frontier player to a core LNG supplier. If these steps are ignored, today's restart could end up as another megaproject weighed down by its own risk premium.

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