

Total declares force majeure on Mozambique LNG project

In a serious blow to Mozambique's economic revitalisation hopes, Total has declared a force majeure and suspended its \$20bn liquefied natural gas (LNG) project in the north of the country indefinitely as a result of escalating militant attacks in the area.



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Force majeure is a provision that allows parties to suspend or end contracts because of events that are beyond their control, such as wars or natural disasters.

The recent violence in Cabo Delgado province “leads Total, as operator of Mozambique LNG project, to declare force majeure,” the company said in a statement on Monday. That’s “the only way to best protect the project interest, until work can resume.” Project finance remains in effect and “Mozambique LNG has agreed with lenders to temporarily pause the debt drawdown,” Total said.



Brutal extremist attack puts Mozambique's LNG projects at risk

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Investment

The project had gained momentum as Total acquired the operator stake from Anadarko Petroleum Corp. two years ago. The company was making progress on early construction, including an airport along with accommodation for workers. Simultaneously an insurgency was rising in Cabo Delgado province.

The Mozambican state had been hoping to reap nearly \$100bn in revenue over 25 years from LNG projects. Earlier delays have already caused the International Monetary Fund to scale back its economic growth forecasts for the nation.

Yields on Mozambique's \$900m of Eurobonds due 2031 rose five basis points on Monday to 10.47%, widening the country's sovereign risk premium over U.S. Treasuries by seven basis points.

Rare opportunity

However the African Energy Chamber believes that declaring a force majeure is premature. "Mozambique continues to be one of the most attractive options to produce gas in the world due to its carbon neutrality, representing a viable solution for climate change. Such a rare opportunity for Africa and the world," says NJ Ayuk, executive chairman of the African Energy Chamber.

"The energy industry continues to grapple with multiple insecurity issues, community engagement, climate change, energy poverty, greater cooperation between stakeholders is required to find beneficial solutions," he says.

Mozambique may have some important security issues at the moment, but it is not within the top countries most impacted by terrorism, according to the 2020 Global Terrorism Index. Such countries include Nigeria, Pakistan, India, and Libya, where Total continues to operate. We are looking forward to Total taking the same stance in Mozambique as it has done in these countries, and together with the government and other parties involved, find a solution to safely continue with its LNG project.

When energy multinationals made a decision to halt natural gas development projects in Myanmar and some declared force majeure, Total remained, and made a clear argument that the public stands to lose from electricity shortages. The field supplied about half of Myanmar's natural gas used for power generation, Nyuk says.

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